Austria	Sch22	Indonesia	Rp3100	Oman	OR1
Bahrain	Din0.700	Iran	Rls210	Philippines	Peso40
Belgium	BFr50	Israel	NIS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	QR9.50
Denmark	DKr10.00	Jordan	Fils600	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	$250.00	Spain	Pta145
France	FFr7.50	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rls4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh6.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.650
Iceland	Kr125	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,918 | Friday August 11 1989 | D 8523A

ULSTER
20 years of troops in the streets
Page 15

World News

Iran hints at talks on US hostages within days

The Iranian leadership suggested indirect and informal talks between Tehran and Washington over the Lebanese hostage crisis could begin within days, perhaps using Pakistan as an intermediary.

Kaifu to visit US

Toshiki Kaifu, Japan's new Prime Minister, was planning to visit the US for four days between September 3-9 for talks with President Bush.

DC-10 engine fails

A Northwest Airlines DC-10 carrying 256 people made an emergency landing in Denver after its tail-engine apparently began breaking up.

Mexican train crash

Nearly 100 people are thought to been killed and more than 500 injured when a train plunged into a river in Mexico. Page 5

South African talks

President Kenneth Kaunda of Zambia will meet President F. W. de Klerk of South Africa in Livingstone, Zambia, on August 28 to prepare for negotiations between Pretoria and the African National Congress.

Lufthansa flies east

Lufthansa made the first scheduled flight between West and East Germany. Page 16

Back to the fields

A Chinese authorities are broadening a national re-education campaign by ordering state-run work units to send recent graduates of Peking's universities to the countryside to learn from the peasantry. Page 3

Chinese army for HK

Hong Kong citizens visiting Peking have been told China intends to station People's Liberation Army troops in the territory after 1997. Page 3

Bases controversy

Malaysia criticised Singapore's suggestion that it could host American military bases after 1991 should the Philippines ask the US to leave. Page 4

US gives asylum

Nine high-ranking Contra military officers, including the Nicaraguan rebel chief of staff, applied for political asylum two days after Central American Governments agreed to disband the US backed force.

Dhaka evacuation

Bangladesh called in the army to evacuate villagers marooned by monsoon floods that have killed nearly 300 people.

Cuba nominated

Cuba will join the UN Security Council next January for the first time since the 1959 revolution which brought Castro to power.

Norway's jobless up

Norway's official unemployment rate reached a post-war high of 4.2 per cent at the beginning of August.

Airport chaos

French airport electricians voted to begin a five-day strike.

Relief for witches

Australia's covens are clamouring for tax exemption after a ruling in a US court that witches can be considered members of a religious order.

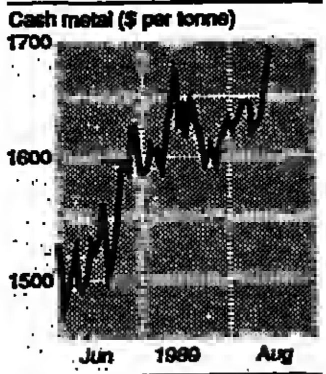
Business Summary

UK warned interest rates must stay high

REDUCING Britain's high inflation rate and large current account balance of payments deficit will be a protracted task with interest rates staying high, the Government was warned.

However, in separate reports, the Bank of England and the Paris-based Organisation for Economic Co-operation and Development differed about whether existing policies were adequate for the job. Page 16

ZINC: London Metal Exchange prices climbed to 4-month highs as concern about a Peruvian miners' strike called for the start of next week



prompted a wave of short-covering. The cash price for high grade metal closed at $1,692.50 a tonne, up $60 on the day. Commodities, Page 26

PHILIPS, Dutch electronics giant, nearly doubled its earnings in the second quarter and is pondering a stock exchange flotation of part of Polygram, its music production subsidiary. Page 17

WARTSILA, big Finnish industrial group, is to relinquish control of its Wärtsilä Marine shipbuilding subsidiary, one of Europe's largest privately-owned shipbuilding businesses, as part of a tentative agreement with the Finnish Government to save the division from bankruptcy. Page 17

DOMINION Textile, Canada's largest primary textile and fabric producer, earned C$12.4m ($10.6m) in the fourth quarter, up from C$10.6m a year earlier. Page 20

VOLVO Trucks, world's second-biggest global maker of heavy trucks, hopes to solve capacity problems through co-operation with Spanish state-owned truck company Enasa and French truck subsidiary of Renault RVI. Page 21

GENERAL Shopping, Luxembourg-based investment company which went into voluntary liquidation in 1983, foresees payment of a $14.20 per share final dividend from its remaining assets of $10m. Page 20

SAGA Petroleum, Norwegian oil independent, said first half profits before extraordinary items and tax adjustments jumped to NKr151m ($21.6m) from NKr62m. Page 20

SHOWA Shell Sekiyu, Japanese oil refining and distribution affiliate of Royal Dutch/Shell, reported a 60.4 per cent first half fall in pre-tax profit to Y5.61bn ($40.4m) after the yen's appreciation increased import costs. Page 18

McCAW Cellular Communications, Washington State cellular telephone company making a $6bn bid for LIN Broadcasting, said it lost $87.5m in the second quarter, compared with the $61.7m it lost a year ago. Page 18

HARRIS, Florida telecommunications and defence equipment supplier, is in talks to sell its data communications and office systems businesses, taking a $96.8m write-off on the planned disposal which pulled the group into the red in its latest quarter. Page 18

US congressmen attack Goldsmith bid for BAT

By **Anatole Kaletsky** in New York, **Peter Riddell** in Washington and **Nikki Tait** in London

MORE than 200 US congressmen yesterday denounced the £13bn ($21bn) bid by Hoylake for BAT Industries in an unprecedented political intervention in what is nominally a financial battle between two foreign-based companies.

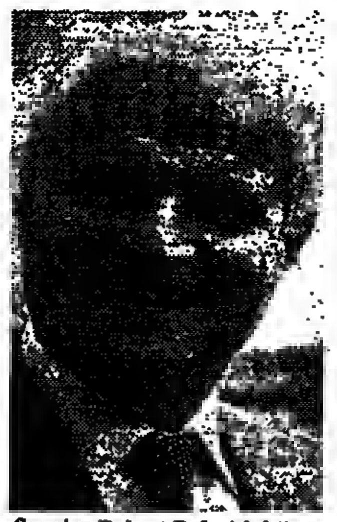
The US legislators' attack on Hoylake, the takeover vehicle for a consortium led by the Anglo-French financier Sir James Goldsmith, was made in a two-page open letter addressed to Mr James Baker, the US Secretary of State.

The letter was written by two US Senators representing Kentucky, one of the tobacco-producing states in which BATUS, the American subsidiary of BAT, is closely involved.

The 200 signatories include powerful congressional leaders from both parties – drawn from virtually all the US states where BATUS operates – with a particular concentration in the 26 states where Farmers Insurance, another BAT subsidiary, operates and where decisions by state insurance commissioners will be crucial to the success of the bid.

The letter urged Mr Baker to "communicate concern" to the British Government about a bid which they said would put 55,000 BAT employees and millions of its American insurance policy holders at risk.

"The proposed deal looks like takeover fever at its worst," the letter said.



Senator Robert Dole (right) "outraged" by Sir James Goldsmith

Even more ominously for Hoylake, the politicians went on to express their "outrage" about the way that Sir James Goldsmith, Hoylake's main partner, was trying to avoid the application of US securities laws and state insurance regulation to his proposed deal.

Some of the legislators who signed yesterday's letter have already taken steps in Congress to create potential obstacles to the deal.

These have included formally urging the Securities and Exchange Commission (SEC) to assert jurisdiction over the deal and ask the General Accounting Office to report on the bid's implications for US securities holders.

Any such moves by the SEC, in particular, could prove disastrous to Hoylake because of the tight timetable imposed on the bidding process by the City Takeover Panel in London.

In a separate development which underlined the political and regulatory hurdles faced in the US by Sir James Goldsmith and his partners in Hoylake, state insurance commissioners from around the country were due to meet in Kansas City last night to discuss the possibility of a concerted response to Hoylake's bid.

The oeed to secure the approval of US insurance regulators pose a major threat to the Sir James's bid.

In London, the US opposition prompted a robust response from Sir James.

The congressional opposition to the bid was, he said "another tribute to the tentacular lobbying power of a sprawling tobacco-based conglomerate".

The group of congressmen opposed to the proposed bid includes Senator Robert Dole, the Republican Minority leader, Senator Claiborne Pell, the Democratic chairman of the Senate Foreign Relations Committee, and Representative Henry Gonzalez, the Democratic chairman of the House Banking Committee.

In London, meanwhile, BAT's advisers have now made formal submissions to the Takeover Panel questioning the value put on the all-paper offer by the bidder, and Hoylake is due to respond.

The BAT argument rests on the fact that the marketability of the Hoylake paper is unclear – Hoylake itself has said that shareholders' ability to sell Hoylake notes at the value suggested is not assured – and that the use of a current Anglo share price in computing part of the offer value is misleading.

Soviet farmers to be paid in hard currency

By **James Blitz** in Moscow

THE SOVIET Government yesterday launched one of the most radical economic experiments since Mr Mikhail Gorbachev came to power by promising, in a bid to cut food imports, to pay farms in hard currency for any grain and oilseed production above recent average levels.

This latest attempt to encourage farmers to grow more, and thereby ease crippling shortages of food and foreign exchange, was decreed by the country's Council of Ministers following pressure from the newly-elected Congress of Peoples' Deputies and the smaller standing legislature, the Supreme Soviet.

The purchasing system will be introduced as an experiment over the next two years: According to Tass, the Soviet news agency, "the state will pay in hard currency for all wheat sold in excess of the average annual production between 1981 and 1985." In the case of oilseeds, average production will be determined from the years 1986 to 1988.

The resolution also implies that the move was intended to lead to a fall in Soviet imports of grain from the West, estimated to be 33m tonnes in the current year.

According to Tass, "the Soviet Parliament considered it expedient to spend part of Soviet currency on seeds and grains from Soviet farms rather than abroad. The hard currency for payments will be obtained through the cuts in imports of grain, oil-bearing seeds, and vegetable oil and the farms will be free in spending the earned currency."

Apart from helping farmers, the announcement of the plan is also a fillip for the 2,250-member Congress of People's Deputies, where the idea was first publicly mooted, and the smaller Supreme Soviet. The resolution will help confirm the principle that the Congress and the Supreme Soviet can have real input into national legislatioo. The announcement will also boost the standing of Mr Nikolai Shmelev, the parliamentarian and radical economist who is widely credited with posing the idea of paying farmers hard currency for excess production rather than using it to import food.

Until now his views have been considered too radical, even in the current reformist climate. The new move would in theory extend to farms the same rights to retain foreign exchange – and spend it on equipment, or even consumer goods – that has gradually been granted to industrial enterprises.

President of Norsk Data resigns

By **Alan Cane** in London

MR ROLF SKAR, founder and president of the troubled Norwegian minicomputer manufacturer Norsk Data, resigned yesterday in the wake of a far-reaching reorganisation designed to staunch losses and return the company to profitability.

Last year, Norsk Data lost NKr871m ($118m) on a turnover of NKr2.9bn after more than a decade of growth. Yesterday it warned that losses for the first half of 1989 would be about NKr190m, relieved only by an extraordinary item of income of NKr50m derived from the disposal of property in Oslo and the sale of two small data processing companies.

The resignation of Mr Skar, who has been the company's driving force, was not unexpected – he had offered to resign last year after the full extent of the company's problems became known. However, he was persuaded to stay to help plan and implement the reorganisation.

He was been replaced by Mr Erik Engebretsen, the 40-year-old former executive vice president responsible for sales and marketing.

Under the reorganisation, agreed by the board earlier this week, the company will operate as several independent business units, each responsible for its own development and results, and serviced by a small corporate staff.

The structure is designed to match better the pattern of the computer industry, which has developed as a series of niche markets. Mr Engebretsen said the units would cover central and local government, the commercial sector, the newspaper industry and the small computer sector.

Analysts suggest that Mr Skar's hands-on management style would not suit the new structure. He will be available to advise the new management and has yet to decide on his next career move.

Norsk Data is one of a number of minicomputer manufacturers that have failed to react quickly enough to trends in the industry. As a result, they have suffered losses and their hopes of remaining independent have been reduced. Others include the US manufacturers Wang Laboratories and Data General and the West German company Nixdorf.

Difficulties within the industry have arisen following the development of microcompnters offering equivalent performance to minicomputers at a fraction of the price. Customers have also moved to industry standards rather than opting for proprietary designs and software.

Norsk Data was also hit by weakness in the Scandinavian market which represents about 70 per cent of its business, although Mr Engebretsen said tbet tbe position had improved.

The company is still cash rich and is seeking co-operative agreements for some of its new business units.

Changes in Norwegian business law make it possible for the company to merge with a competitor or be taken over, but Mr Engehretsen said no negotiations were in progress despite speculation. He would not rule out the possibility, saying that Norsk Data's marketing strength in Scandinavia, West Germany and tbe UK made it an attractive proposition.

Bush appoints black to top military post

By **Peter Riddell**, US Editor, in Washington

GENERAL Colin Powell, former National Security Adviser to President Ronald Reagan, was yesterday named as the nsw Chairman of the Joint Chiefs of Staff, the top military post in the US.

His appointment has attracted attention primarily because he is the first black person to bold the job. Just as significant, though, is the reason for President George Bush picking the General over the beads of several more senior officers.

Gen Powell was apparently not tbe first choice of Admiral William Crowe, current chairman of the joint chiefs, who believed the General sbould gaio more command experience before being promoted.

Continued on Page 16

General Colin Powell: proved his loyalty and efficiency.

Radical shake-up at Nissan UK gives UBS major stake in unit

By **Kevin Done**, Motor Industry Correspondent, in London

NISSAN UK, the UK importer and distributor of Nissan vehicles and Britain'a largest retail motor group, has been *radically restructured* with a Swiss bank acquiring a majority stake in the company's fast-growing dealership and finance operations.

The aurprise emergence of Union Bank of Switzerland, the leading Swiss bank, as a major shareholder through its Luxembourg subsidiary, has deepened the mystery of who ultimately owns and controls the Nissan UK Group, one of Britain's most highly profitable privately-owned companies.

The group is run by Mr Octav Botnar, its publicity-shy 75-year-old chairman and managing director who has been the driving force since 1970 in making Nissan the most successful Japanese make of car in the UK.

It includes Nissan Finance UK, which claims to be one of the top 10 UK finance companies with total receivables of about £900m ($1.46bn).

Union Bank of Switzerland (Luxembourg) has acquired its 71.52 per cent shareholding in tbe retail operations from *European Motor Vehicles Corporation* (EMV), a Panama-registered company which Nissan UK directors previously considered to be the group's ultimate holding company.

UBS insisted that its shareholding in Automotive Financial Gronp Holdings, the newly-created holding company for Nissan UK'a former retail and finance operations, was an investment made by the bank on its own behalf and was not a nominee holding.

It admitted that it wee unusual for the bank to take such a large stake in a company. UBS said it intended to appoint e Swiss member, but not an official of the bank, to the AFGH board. "Our interests will be taken care of," it said.

Nissan UK holds the highly lucrative sole concession for importing and distributing Nissan vehicles in the UK. According to unandited accounts, the Nissan UK Group made pre-tax profits last year (the year to July 31, 1988) of £132m on a *turnover of* £1.2bn with more than 5,200 employees.

During the past 18 months Mr Botnar has quietly but radically reorganised Nissan UK, further masking the ultimate cootrol of the group's assets.

He said last night, "This is a major restructuring aimed et reinforcing our position as the largest retail motor network in the UK, if not in Europe."

The Nissan UK group is having to expand rapidly to cope with the growing volume of production from Nissan Motor of Japan's assembly plant et Sunderland in north-eest England.

Two nsw companies have been formed, Nissan UK Holdings (NUKH) and Automotive Financial Group Holdings (AFGH).

Mr Botnar, who has become chairman of both these compa-

Continued on Page 16
Tangled tale, Page 8

MARKETS

STERLING
New York lunchtime:
$1.6220
London:
$1.6270 (1.6170)
DM3.0775 (3.0725)
FFr10.4050 (10.3850)
SFr2.6525 (2.6450)
Y226.25 (225.00)
£ index 92.2 (91.9)

GOLD
New York: Comex Dec
$374.2 (373.9)
London:
$366.25 (373.9)

N SEA OIL (Argus)
Brent 15-day Aug
$16.95 (17.00)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.8975
FFr6.4170
SFr1.6351
Y139.35
London:
DM1.8915 (1.9005)
FFr6.3950 (6.4225)
SFr1.6305 (1.6355)
Y139.10 (139.20)
$ index 69.6 (69.8)
Tokyo close: Y139.05

US LUNCHTIME RATES
Fed Funds 9%
3-mo Treasury Bills: yield: 8.162%
Long Bond: $108\frac{1}{32}$
yield: 8.125%

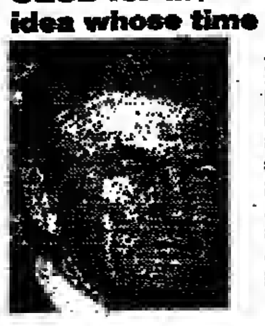
STOCK INDICES
FT-SE 100:
2,347.3 (−13.1)
FT Ordinary:
1,961.4 (−10.6)
FT-A All Share:
1,194.84 (−0.5%)
FT-A long gilt yield index high coupon:
9.29 (9.33)
New York lunchtime:
DJ Ind. Av.
2,689.4 (+3.41)
Tokyo: Nikkei
34,716.90 (−139.47)

LONDON MONEY
3-month interbank:
closing $13\frac{15}{16}$ ($13\frac{7}{8}$)

SELLING PRICE IN IRELAND 80p, IN MALTA 40c

CONTENTS

OECD for the Pacific Rim, an idea whose time has arrived



Australian Prime Minister Bob Hawke (left) has taken up the long-discussed idea of an OECD-like organisation for the Pacific Rim nations. "The Asia-Pacific region is at a pivotal point in history", he says.
Page 4

Brussels to seek tighter rules on toxic waste

By Tim Dickson in Brussels

THE DEFIANT decision by the authorities at Tilbury Docks, near London, to refuse permission to unload a consignment of Canadian toxic waste was being noted with interest yesterday by European Commission environmental experts.

For while public opinion and port officials have been making the running in this week's drama – rather than Community law – the whole issue of dangerous and toxic waste is receiving increasing attention at European Community level.

There is no suggestion that the producer or UK importer were in any way contravening EC law – but those concerned at the trade's alarming growth hope that the UK incident prompts member states to tighten EC rules at a ministerial meeting here next month.

The Community already has a specific directive on the offending substance – polychlorinated biphenyls, or PCBs – introduced in the context of general Community action to combat dangerous chemicals.

The directive lays down minimum standards for disposing of the waste, including the temperatures which should be used in an incinerator, specifying particularly that it should not be turned into the carcinogenic dioxins.

A specific item on next month's agenda concerns tighter rules for waste handling proposed by the European Commission more than a year ago. The Commission's ideas include modifying an existing "framework" directive on general waste management, as well as replacing a 1978 directive on hazardous waste with a completely new version.

A spokesman says the aim is to "stimulate the use of clean technologies and recycling and ensure consistent methods of control across the Community for hazardous waste".

The proposed new EC directive on hazardous waste lays down more precise definitions - a need seen as particularly urgent in view of the growth in cross-border trade.

Member states will have to take the necessary steps "to prohibit the uncontrolled abandonment, discharge, disposal and transport of hazardous waste"; mixing of hazardous waste with other waste will be prohibited; while EC Governments may if they wish make collection and transport operations subject to authorisation.

Information about authorised treatment plants will have to be notified to Brussels, and inspections will be stepped up. A data bank on waste treatment will be set up.

Most EC countries have now implemented another important directive on the trans-frontier shipment of toxic and dangerous wastes. Prompted by Italy's Seveso disaster, agreed in 1984 and updated in 1986, the legislation puts the onus on exporting countries to notify in advance that they have a consignment to ship, and requires the importing government to give its consent. Several states, including Britain, were slow to ratify it.

The directive requires exporters (to destinations within and outside the EC) to show both an import licence and evidence that the waste can be properly treated.

Another EC initiative was launched last week with the publication of a proposed new directive on civil liability for those who cause environmental damage or personal injury with industrial waste (including toxic waste).

If approved, it would mean that a producer or importer, of say PCBs, would be liable for any harm caused up to the moment the consignment reached its final destination. Legal responsibility for spillages and other disasters is currently hard to pin down.

More than 30 factories hit by protests against new election law

More Russians strike in Estonia

By James Blitz in Moscow

THE STRIKE by ethnic Russian workers in the Soviet republic of Estonia entered its second day yesterday, compounding the minority's protest against a law which disenfranchises them from voting in republican elections.

According to Mr Sher Leviy, Editor in Chief of the Novosti press agency in the republic, a total of 14,000 ethnic Russian workers failed to turn up for work yesterday in the capital, Tallinn, some 4,000 more than had begun the strike on Wednesday. There was no guarantee they would resume work today.

Nevertheless, the effect of the stoppage continues to be mitigated by the determination of thousands of Estonians to man local transport and factories in the capital.

Mr Yuri Rudyat, a member of the Russian language group Intardvizhenie, told the Reuter news agency that buses had been brought to Tallinn from neighbouring towns to maintain public transport. He said 28 factories were on strike in Tallinn and three more in a neighbouring town.

The show of strength by the Russian minority coincided with the publication yesterday of markedly pro-Russian comments from Mr Vitaly Vorotnikov, a member of the politburo and leader of the Russian federation within the USSR.

In an interview published prominently by Sovyetskaya Rossiya, Mr Vorotnikov said that the independence and sovereignty of the Russian republic (RSFSR) should now be strengthened in relation to other republics in the country.

"We believe it is necessary to have our own state supply system for goods within the RSFSR. It is also important to have our own republican organisations of the Komsomol and trade unions," he said.

His call for national independence for Russia – a parry, perhaps, to nationalist sentiment in the Baltics and elsewhere – was strengthened by his attack on several unnamed deputies who spoke at the recent Supreme Soviet session on topics which only affected their own regions.

"Too often there was a desire to bring up topics that concerned this or that region, rather than ones concerning the union as a whole. The speeches of several deputies were slowed down by provincial inertia," he said.

Workers at a Tallinn factory vote to strike in protest at Estonia's new election law

German doubts over 'open-arms' policy

By David Goodhart in Bonn

THE CURRENT tension between the two Germanys over controlling the flow of East Germans who are seeking asylum in West Germany has highlighted the ordinary West German's ambivalence towards his fleeing cousins from the East.

It is no longer politically taboo in Bonn to suggest that East Germans should stay where they are and fight for political reform.

A poll in yesterday's edition of the daily paper, Bild, suggested that 64 per cent of West Germans welcome the refugees, but that 54 per cent think they should stay in their own country.

Those numbers reflect an old dilemma for the Bonn political establishment, which is deeply committed to an "open-arms" policy towards fleeing East Germans, but at the same time realises that such a policy allows the East Berlin authorities to siphon off resistance, slowing down reform and thus, arguably, even delaying reunification.

One official from the Inner-German Relations Ministry told a press conference earlier this week: "We don't want German re-unification to take place entirely within West Germany."

The reform movement in other parts of the East bloc, alongside continuing reaction in East Berlin, has added an extra twist to that dilemma for Bonn and helped increase the flow of legal emigration from East to West Germany, which will probably involve 100,000 people this year.

Bonn is not currently optimistic about political reform in East Berlin partly because, as one editorial writer put it: "Dissatisfied people in the USSR, Poland or Hungary say: 'Things must change'. Dissatisfied people in East Germany say: 'We're getting out'."

Mr Rudolf Seiters, the West German minister in charge of the present row over 130 East German asylum seekers inside the West German diplomatic mission in East Berlin, has said that his country does not encourage East Germans to emigrate.

And he has openly appealed to East Germans to stop seeking refuge in West German embassies all over the East bloc. On Wednesday night a popular television programme broadcast a speech from a reformist East German historian appealing to his fellow-countrymen to stand and fight and saying that it was always the best motivated and best qualified who left.

This was followed by a studio discussion in which young immigrants from East Germany were critically questioned about why they had left. Lack of hope and loneliness was the most common response, although some admitted to being attracted by the higher standard of living.

Some analysts believe that East Germany's economic problems could be seriously worsened by the outflow of skilled people.

Democratic virus begins to infect Poland's politics

By John Lloyd in Warsaw

THE PAST week of political and party manoeuvre in Poland has been the clearest possible sign that democratic practices are taking rapid root. As yet, though, it is a sign, not a certainty.

Lech Walesa started it, on Monday night, with an announcement to the Polish news agency from his home in Gdansk on the Baltic coast that he would be willing to talk to the Peasants Party (ZSL) and the Democratic Movement (SD) about forming a coalition government.

It is a constitutional possibility: Solidarity has 161 seats in the 460-seat lower house to the Communist Party's 173, so neither commands a majority. But the ZSL has 76 deputies, which would give either of these larger parties a simple majority. The SD, with 27, could provide a firmer base or compensate for ZSL deputies who remained loyal to the Communists (the balance of seats are held by three small lay Catholic groups).

The ZSL and the SD, whose entire political post-war life has been spent in coalitions with the Communists, want into lengthy executive council meetings on Wednesday. Speaking for the meeting, Mr Roman Malinowski, the Peasant Party president, was dismissive of the Walesa offer, calling it "demagogic" and evasive of the true problems of Poland. However, the statement issued after the council meeting was neutral and conciliatory, accepting talks with Solidarity's leadership with an open mind.

Mr Malinowski, near retirement, actually no longer speaks for a united party. A separate meeting of its parliamentary group led by Mr Alexander Bentkowski on Wednesday denounced the Malinowski leadership, proclaimed that it would not support another Communist Government and sought to position itself as an independent actor.

The Democrats, whose executive also met for much of Wednesday, produced a similarly worded statement welcoming talks. Speaking to the FT yesterday, Mr Jerzy Jozwiak, the party chairman, said Mr Walesa had made "an interesting offer" and that "there is nothing lost by talking".

The Communist Party was clearly taken aback. Its politburo meeting on Tuesday condemned Mr Walesa's initiative as irresponsible and divisive, though it was careful to add with a touch of the old arrogance that it did not attach much importance to the affair.

Not much. General Czeslaw Kiszczak, appointed Prime Minister last month by his fellow general, President Wojciech Jaruzelski, shows every sign of finding it hard to put together a Government. Already, Mr Mieczyslaw Wilczek, the Industry Minister, seen as a star of the former Government, has reportedly refused a further term at his post.

Few give any Government which the general can cobble together more than a few months, and that prevailing cynicism deepens his difficulties. The Communists are reeling.

Solidarity has reclaimed the initiative which its huge victory in the elections gave it.

Having condemned itself to democracy, Poland cannot now step back from the consequences

Yet it, too, is suffering strains. Its parliamentary group met on Tuesday and gave Mr Bronislaw Geremek, its leader, a hard time because the group did not know about the Walesa initiative until they read it in that day's newspapers. Mr Geremek did not know either, but by Wednesday he was able to tell his colleagues that Mr Walesa had given him his word never to do that kind of thing again.

There is, of course, danger in this political manoeuvring, for it takes place over great dissatisfaction with big price rises; a continuing rash of strikes, mostly short but disruptive; a plunging currency; inflation at more than 100 per cent; and meat supplies which were only yesterday relieved by the first deliveries of European Community beef.

The possibilities of decline into social chaos, wherein a real demagogue could engineer a return to authoritarianism, is real and frequently discussed – perhaps most of all by senior Communist officials.

But having condemned itself to democracy, Poland cannot now step back from the consequences. Over the next few days a round of talks will take place, familiar enough to most democracies, where the trading of horses will be the order of business.

Editorial comment Page 14.

Flight chaos looms after French vote for strike

FRENCH AIRPORT electricians voted yesterday to begin a five-day strike, threatening serious delays to holidaymakers on one of the summer's busiest weekends, Reuter reports.

A spokesman for one of the two trade unions representing 50 per cent of the electricians said they opted to strike after pay negotiations with the Government collapsed.

France's civil aviation authority predicted that flights between Britain and Spain would be particularly disrupted. Mr Michel Delebarre, the Transport Minister, said: "I am worried ... that the action has been timed, for the third consecutive occasion, to disrupt air travel by targeting periods of heavy traffic, penalising French and foreign holidaymakers."

The electricians, who maintain computer and radar equipment for air traffic controllers, went on strike twice in July during peak weekends for holiday travel.

Split in Soviet reform group

DIFFERENCES within the Soviet Union's emerging group of reformist parliamentarians emerged yesterday with the publication of caustic comments from Mr Roy Medvedev, the historian, on Mr Boris Yeltsin and Dr Andrei Sakharov, agencies report.

Mr Yeltsin, a former politburo member, and Dr Sakharov, a Nobel Prize-winning physicist and human rights campaigner, were among the five prominent figures chosen last month to lead the new Inter-Regional Group, comprising 400 reform-minded members of the 2,250-seat Congress of People's Deputies.

Mr Medvedev told the Italian Communist newspaper L'Unita: "I'm not against the creation of an opposition group. But only as long as it doesn't threaten our still-fragile democracy. I don't see that necessary caution either in Yeltsin or in Sakharov.

"I don't want (Yeltsin or Sakharov) to take power because they wouldn't know how to exercise it."

Norway jobless total up again

NORWAY'S OFFICIAL unemployment rate reached a fresh post-war high of 4.2 per cent at the beginning of this month, writes Robert Taylor in Stockholm.

The existence of more than 92,000 jobless – more than 9,000 of them under 20 – is expected to be an important issue in next month's general election. The rise in unemployment has come in a shock to a country which has traditionally had one of the lowest rates in Western Europe.

Mrs Gro Harlem Brundtland's minority Labour Government introduced a NKr3.5bn (£307m) package of labour market measures in spring with the aim of creating around 40,000 jobs in the second half of this year.

Drive to put brake on autobahn speed kings sparks angry debate

By David Goodhart

THE TERRIFYING speed at which some West Germans drive on their speed-limit-free autobahns looks increasingly likely to become one of the most emotional issues in next year's election campaign, with the main opposition parties committed to imposing a speed limit of 120kph.

Mr Joschka Fischer, one of the country's most popular Greens, recently compared the German obsession with cars and speed with the American insistence on the right to carry weapons – a mark of "manliness".

But it does look increasingly as if the days of 200kph (125mph) driving are past, if not after the next election then as a result of pressure from Brussels soon after.

The writer Günter Grass recently headed a boycott of Germany's main automobile association, ADAC, in protest at the association's campaign against the 100kph limit introduced by the Red-Green Government on a stretch of motorway in West Berlin. But anti-speed-limit protesters still vastly outnumber their opponents on the streets if not at the ballot box.

Arguments for a ban have recently been shifting from environmental to safety grounds. About 8,200 Germans were killed on the roads last year, 27 a day, and nearly half a million were hurt as a result of the two million recorded road accidents. The number may increase as road traffic increases after 1992.

And although the widespread introduction of catalytic convarters has reduced pollution from high-speed luxury cars it has not eliminated it completely and higher speeds still eat up more fuel. President François Mitterrand of France recently pointed to the lack of a speed limit as evidence of German hypocrisy in environmental matters.

The Car Industry Association hits back by saying that only 9 per cent of deaths occur on autobahns and that the annual death toll has fallen from 19,000 in 1970 (when safety belts were not compulsory). The industry admits that international comparison is difficult but none the less says that per one billion kilometre of road-driving, Germany records only 6.3 deaths compared with 6.9 in the US, 10.8 in France and 18.1 in Italy.

The Association may exaggerate the damage to sales at the faster end of the market from a speed limit given the popularity of German cars around the rest of the speed-controlled world. But it said better roads and traffic control systems were the best way to further reduce accidents.

Towns and cities are increasingly introducing 30 kph limits in built-up areas although they seem to be poorly enforced. Last year's experiment with 100 kph zones on autobahns was also poorly enforced – only 20 per cent of drivers observed it – so neither side in the debate has been able to call it in support.

Nuclear division of Siemens to cut workforce

KWU, the nuclear plant division of the electronics giant Siemens, announced yesterday that it would shed 1,850 of its 22,500 strong domestic workforce because of a drop in business, Reuter reports from Erlangen.

A spokesman for the company said that 850 jobs alone were going because of a political decision in April to abandon building the country's first nuclear reprocessing plant at Wackersdorf.

Most jobs would go by not replacing those who left KWU, by early retirement and by internal transfers. But the spokesman said there could also be a limited number of redundancies.

He added that KWU also had to reduce its workforce because of a general decline in nuclear plant building.

In 1986 KWU had orders totalling DM22.5bn (£7.2bn), but this had slipped to DM12.5bn by last September.

Of total Siemens group sales of nearly DM60bn last year, KWU accounted for more than DM12bn.

Moscow voices worry on Austria's EC bid

By Our Foreign Staff

THE SOVIET UNION, in one of its firmest statements on the subject to date, yesterday warned Austria that its neutrality could be undermined as a result of its recent application to join the European Community.

In a memorandum delivered to Chancellor Franz Vranitzky by Mr Gennadi Shikin, the Soviet ambassador to Vienna, the Soviet Union expressed "concern" about the Austrian Government's decision to press ahead with applying to the EC.

It would lead to "the loss of the actual possibility (for Austria) to carry out its neutral policy", the memorandum stated.

Austria's neutrality is guaranteed under the State Treaty signed in October 1955. The treaty paved the way for the withdrawal of the French, British, Soviet and American troops which had occupied the country since 1945.

Yesterday, Mr Vranitzky was quick to shrug off the note, saying that the application was purely an internal affair.

Nevertheless, the formal presentation of the memorandum, one of the first written reservations for several years, does suggest growing unease among sections of the Soviet Foreign Ministry. They apparently feel that the evolution of the EC into a political, or indeed, military union, would inevitably raise difficult questions about Vienna's neutrality.

Yesterday, senior Austrian Foreign Ministry officials conceded that the tone of the memo was somewhat "surprising", but added that the views were similar to those verbally stated during visits by both Mr Vranitzky and Mr Alois Mock, the Foreign Minister, to the Soviet Union last year.

Recent Soviet statements on this issue had indicated that Moscow would have no fundamental objections to Austria pressing ahead with applying for membership. Yesterday's note seemed to reflect concern about shifts in the direction of the EC.

Islamic team in refugee inquiry

A THREE-MAN team from the Islamic Conference Organisation (ICO) will make a fact-finding tour in the next few days of the border area where more than 250,000 ethnic Turks have crossed from Bulgaria into Turkey this summer, complaining of harsh repression, writes Jim Bodgener.

Turkey is urging a wide range of countries – Western, Communist and Islamic – to put pressure on Sofia to respect the rights of its Turkish-speaking citizens.

On Wednesday, Mr Mesut Yilmaz, the Turkish Foreign Minister, told his Libyan counterpart, Mr Jaddalah Azzouz al-Talhi, that the Islamic world faced a "major test" and urged "effective action" to persuade Sofia to change course.

A Turkish Foreign Ministry official yesterday called it "inexcusable" that Greece had qualified its endorsement of a joint condemnation of Bulgaria issued by Nato this week.

Belgium plans to expand share of power market

THE BELGIAN Government has drafted a plan to give the state-controlled power supply company a greater share of the country's electricity market amid concern at the threat of foreign control, officials said yesterday, AP reports from Brussels.

Under the plan, the market share of Société Publique Coopérative D'Electricité, Belgium's state-owned electrical concern, will grow to 15 per cent by the year 2005 from its current 5.3 per cent.

The project also calls for investments of some BFr200bn ($4.8bn) over the next 10 years to meet growing electricity demand.

As part of the accord, the Brussels Government agreed to assure a profit for private utility companies.

Belgium's three private electricity companies, Ebes, Unerg and Intercom issued a statement: "This convention formally guarantees the maintenance of profitability in the sector."

The Brussels newspaper Le Soir said Mr Willy Claes, Minister of Economic Affairs, sought the accord out of concern of increasing foreign ownership of Belgian electrical utilities.

"To assure the defence of strategic interests of (Belgium) in the electricity sector, the Government is putting in place a mechanism for increasing the participation of existing public bodies," Mr Claes was quoted as saying.

According to market analysts, Ebes, Unerg and Intercom generate 93 per cent of electricity production in Belgium and distribute 84 per cent of it.

Intercom is the largest utility in terms of stock market capitalisation, followed by Ebes and Unerg.

Yugoslav farmers plan rally on price cuts

FARMERS from Yugoslavia's main grain-producing region plan an unprecedented protest rally this month after failing to reach agreement with the Government over food prices, AP reports from Belgrade.

A meeting on Wednesday between Mr Stevo Mirjanic, the agricultural minister, and several hundred farmers from the fertile region of Vojvodina with agricultural minister failed to resolve farmers' complaints about government attempts to reduce runaway inflation by forcing down food prices down, the Belgrade newspaper Politika said.

Farmers in Yugoslavia's largest republic of Serbia, which includes Vojvodine, object to a recent government decision to flood the market with cheap flour, wheat, sugar and other foods from federal stockpiles to try to halt constant price rises on those items.

Mr Mirjanic told the farmers the policies of past governments were to blame for the present "poor state" of Yugoslav agriculture.

Steps such as the introduction of higher guaranteed prices for farm products would be taken to alleviate the situation, he added.

The newly formed farmers' Initiative Committee, however, decided on the rally to press farmers' demands.

Mr Sava Govorcic, a member of the committee was quoted as saying: "We can't wait any longer. None of our demands have yet been met."

Several hundred thousand farmers are expected to stage a protest in front of Belgrade's parliament building with their farm machinery on August 28. Government officials had appealed to the farmers to call off the rally, saying it would hamper preparations for the Non-Aligned Summit scheduled to begin in the capital next month.

According to earlier reports, Serbian farmers had hoped for a nationwide agricultural protest in Belgrade, but yesterday a powerful farmers' forum from the country's northern republic of Slovenia refused to participate, the state Tanjug news agency said.

Mr Ivan Oman, head of the official Slovenian Farmers' Union, said in a letter to the Serbian farmers' committee, that the reform-minded Government of premier Mr Ante Markovic, which assumed power last March, "had already taken certain steps to fundamentally alter the economic system," the agency reported.

Farmers' associations from the second-largest republic of Croatia and from the southern region of Macedonia also declined to participate, press reports said.

Authorities in Serbia have vehemently criticised and called for the removal of Markovic's Government in the past two months, which has emphasised the need to revive Yugoslavia's stagnating economy by encouraging market-oriented reforms.

Serbian officials say Mr Markovic should instead deal first with the country's 750 per cent inflation rate, which has cut further into falling living standards and heightened social tension. But Mr Markovic's cabinet has enjoyed wide public support in Slovenia and Croatia, the country's two economically most powerful republics.

In a separate development, Tanjug reported that a two-day strike by about 6,000 employees of Yugoslavia's largest rubber and shoe plant ended with the workers accepting a management offer for a 107 per cent wage increase.

The plant, employing over 20,000 people, was the source last summer of the biggest strike in the country's history, when several thousand strikers in Belgrade broke through police lines and occupied the parliament building for several hours.

Belgrade rejects US resolution on human rights

YUGOSLAVIA yesterday described as "monstrous" a US resolution on human rights abuses suffered by one of this Communist country's best-known dissidents, Reuter reports from Belgrade.

Mr Ivo Vajgl, a foreign ministry spokesman, said the resolution adopted by the US Senate on August 4 supporting dissident Mr Dobroslav Paraga was a blow against Yugoslavia.

Reports in Belgrade said the resolution called on Yugoslavia to guarantee human rights and grant amnesty to all political prisoners.

Mr Paraga, 29, spent four years in jail from 1980 to 1984 and in 1987 filed an unprecedented suit against the state for alleged brutality. He lost the case.

Yugoslav diplomats in Washington told US senate officials their resolution had been rejected by the authorities in Belgrade.

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High inflation keeps gnawing at Israel's economy

Some officials believe that severe unemployment is inevitable and necessary, reports Hugh Carnegy

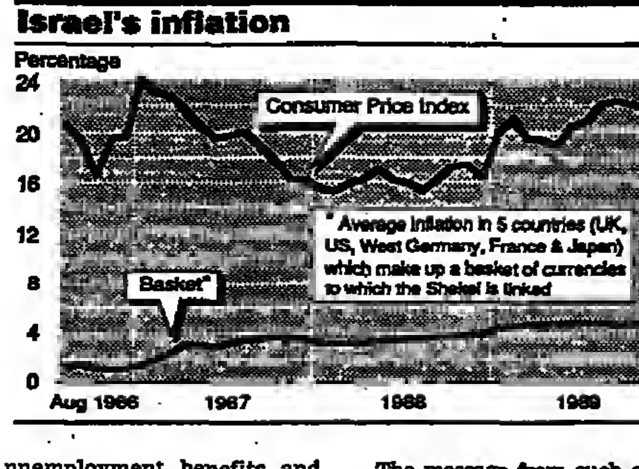
THE Lebanese hostage crisis may have stolen the headlines in Israel this month, but it has masked only temporarily another deeply entrenched problem for the Israeli Government – the parlous state of the economy.

Unemployment is rising ominously, and is about to move into double figures. Inflation is about 20 per cent a year and is proving stubbornly difficult to bring down. Industrial output and growth have stalled in the past 18 months and investment has slumped. Lower than budgeted tax revenues and upward pressures on Government spending threaten to open up a wide budget deficit.

Just before the hostage crisis arose, the coalition, made up mainly of the rival Labour and Likud parties, responded to mounting public alarm about the economy – especially from the powerful Histadrut trade union federation – by announcing a Shl 275m (£87.5m) spending plan designed to inject some growth through infrastructure projects, investment incentives and the like. Extra spending has also been allocated to cover the costs of suppressing the Palestinian uprising in the occupied territories.

The Government pledged that this extra expenditure, to be spread over at least 18 months, would be matched by cuts elsewhere in the budget. It referred specifically to cuts in

Israel's inflation



unemployment benefits and restrictions on minimum wage limits. The intention is to avoid worsening a budget deficit already projected this year to equal 6 per cent of gross national product.

But, as one top economic official remarked sceptically, seeing is believing when it comes to budget cuts. His worry is this: that in seeking a way out of the bind, politicians will be tempted into a short-term fiscal relaxation that in the long term could undo much of the progress they believe the country has made towards restructuring a rigid, socialist-designed economy that had become choked with inefficiencies.

The message from such economic professionals is unpalatable. It is that Israel, like many Western European countries before it, will have to endure high unemployment if inflation is to be conquered and the economy is to make the adjustments needed to make it more open and efficient.

Israel set out on this path in 1985, and within two years, budget deficits that had approached a fifth of GNP were eliminated, towering debt-GNP ratios declined and inflation fell below 20 per cent. The added bonus was that the economy managed to keep growing, restricting rises in unemployment.

That ground to a halt last year, however, as the effects of a pegged exchange rate, high real interest rates and a fall in domestic demand finally fed through. The economy was also hit by the effects of the Palestinian uprising. The Bank of Israel estimates that the uprising knocked some 1.5 per cent off GDP in 1988 and has contributed to a general lack of business confidence.

Unemployment and inflation are the prime issues confronting Mr Shimon Peres, the Finance Minister and Labour leader. The lobby for Government action to ease unemployment is led by the Histadrut, a Labour stronghold since the foundation of the state.

In one revealing outburst against his critics, Mr Peres said that high jobless rates were preferable to false short-term fiscal measures, but the idea that high unemployment is unavoidable is not one he can afford to proclaim too loudly given Labour's already precarious electoral position.

There is also the extra sensitivity attached to unemployment in Israel because of its Zionist commitment to provide a livelihood for all Jews who want to make their homes in the country.

Much of the present unemployment stems from structural changes such as a marked growth in the labour force – fuelled by a baby boom in the late 1960s and greater participation by women – stabilisation of the state sector and adjustments in industry towards higher productivity.

The pressures of unemployment, combined with a worrying slowdown in the vital export sector, led Mr Peres and the Bank of Israel to devalue the shekel in June.

Officials say there are now signs of the hoped-for upturn in the all-important export sector. But the latest exchange rate adjustment seemed to contradict the previously firmly asserted policy that a fixed rate was the main weapon against inflation.

That continues, at least in the Bank of Israel, to be the stated policy, a stance supported by the International Monetary Fund. The intention is that a stable exchange rate will force adjustments in the Israeli economy to break the still predominant habit of indexation, and so establish genuine competitiveness.

That is still a long way off. According to figures from Bank Hapoalim, the inflation differential between Israel and the average in the five countries in the foreign currency basket to which the shekel is pegged is running at 17 per cent. Government economists confess themselves puzzled and worried by the persistence of high inflation while there is little or no growth.

The key question seems to be to what extent the Government will control its own budget and push on with structural reforms. The record on the latter over the past few years is mixed.

The Government has steadily reduced its role as the chief borrower in the capital markets, but remains dominant.

Subsidies for basic goods and import substitutes, both direct and disguised, have been reduced or eliminated in some areas, but public utilities, public transport and some basic foods remain subsidised or subject to price controls. The Government still spends 18 per cent of GNP – more than it now spends on defence – on social transfers through a system widely acknowledged to be riddled with inefficiencies. A privatisation programme remains more talked about than acted upon.

But if the record is mixed, there is at least a remarkable lack of ideological conflict between the two main parties. Mr Peres has been a leading exponent of liberalising the economy. Mr Amos Rubin, economic adviser to Mr Yitzhak Shamir, the Likud Prime Minister, says: "More and more people understand we should reduce intervention and let more freedom reign." The trick is to put theory into practice.

Elliott in row over market inquiry

By Chris Sherwell in Sydney

A SIMMERING row about the business practices of Mr John Elliott, chief executive of the Elders IXL brewing, agriculture and finance conglomerate, has boiled over in classic Australian style.

Mr Elliott, who is also president of the opposition Liberal Party, has lambasted a parliamentary committee's plan to have him answer questions as part of a general inquiry into insider trading and other forms of market manipulation.

In a television interview on Wednesday he called the request "reprehensible" and "scurrilous", said it was "politically motivated", and accused the committee of trying to usurp the powers of the National Companies and Securities Commission, the official share market watchdog.

Responding yesterday, Mr Alan Griffiths, a Labor Party MP and the committee's chairman, said the committee would not be deflected from its work by "defamatory and intimidatory remarks".

The row has erupted now because of a move by key Elders directors, through a group called Harlin Holdings, to acquire full and direct control of Elders through a forthcoming offer to shareholders to sell or buy Elders shares.

The committee, apart from developing a specific interest in management buy-outs, also wants to learn more about the way Elders directors who have received one-cent partly-paid shares have since benefited from subsequent scrip issues of fully priced shares.

No one is accusing anyone of anything illegal. But last week Senator Peter Walsh, the Finance Minister, who has previously attacked Mr Elliott for both his political views and his business practices, claimed that an opposition Liberal MP had approached him suggesting an investigation of Elders' share-issuing practices.

Mr Griffiths, a backbencher, decided to take up the issue, even though Elders shareholders have approved the Harlin plan, albeit after some pointed and critical questioning.

In his response to Mr Elliott's complaints yesterday, Mr Griffiths labelled the latest Elders move "the biggest management buy-out since Captain Cook landed in Australia". He added: "There would be something very wrong with the parliamentary committee, looking at this issue if they were to be intimidated from the proper discharge of their duties."

Elliott: "scurrilous" request

Daewoo to diversify into car-making

SOUTH Korea's ailing Daewoo shipbuilding company is to be restructured to produce cars, trucks and helicopters as well as ships, Reuter reports from Seoul.

It said yesterday that in 1993 shipbuilding would account for only 30 per cent of Daewoo Shipbuilding and Heavy Machinery's total business, against 96 per cent now.

"Instead, our company will take part in the production of sub-compact cars, trucks, helicopters and heavy machinery."

The company said Trade Minister Han Seung-soo was briefed on the plan on Wednesday when he visited the shipyard on the southern island of Koje. "We worked out the plan to make our company less vulnerable to external economic changes."

Kim Woo-choong, chairman of the Daewoo Group, which owns the shipyard, told Han the group would invest up to 260bn won (£190m) in the shipyard in the next few years.

Most of the money will be used to build a car plant with an annual production capacity of 240,000 units.

Daewoo Shipbuilding, the country's second largest yard, has debts of $1.8bn (£1.1bn).

Early this year, the government unveiled a financial aid package to bail out the shipyard that included 400bn won in loans. The package was conditional on the shipyard's own efforts for survival.

● South Korea plans to tighten controls on foreign banks to prevent possible tax evasion, officials said yesterday, AP-DJ reports from Seoul.

Officials of South Korea's Bank Supervisory Board said the board had decided to tighten regulations on foreign banks trying to sell business rights.

The officials declined further comment, but Yonhap, the South Korean news agency, said that under revised regulations, foreign banks would be asked to report their transfer plans in advance and submit contract papers to the board later.

Peking graduates to be sent to countryside for re-education

By Peter Ellingsen in Peking

CHINESE authorities, having drawn up a new hit list of political criminals, are broadening the national re-education campaign by ordering that state-run work units send recent graduates of Peking's elite universities to the countryside to learn from the peasantry.

In an attempt to stop the spread of liberal ideas, the Communist Party has already cut this year's intake of tertiary students and directed that the college year begin with ideology taught by the People's Liberation Army (PLA), sources say.

The new moves are seen as evidence that both the propaganda campaign justifying the brutal crackdown on democracy protesters, and the indoctrination drive to crush western influence, are meeting with passive, but stubborn, resistance from ordinary Chinese.

Twenty categories of people liable for punishment have been identified, including 10 categories said to be guilty of "serious crimes" and in line for "heavy" penalties, while nine types are to be disciplined for lesser offences, and one group, officially tagged "the majority", is in need of re-education.

Serious offences include leading or organising protests, attacking troops, seizing weapons, harbouring fugitives and retaliating against police informants. Sources estimate that tens of thousands have been arrested following the army's attack on demonstrators in Peking two months ago.

Some Western observers estimate 3,000 civilians died in the onslaught, with thousands of others wounded.

By framing another hit list, the party seems to be extending the witch-hunt deep into work units that are the basis of Chinese society. Some categories in the list are believed to be so broad as to allow reprisals against anyone who took part in, or supported, the democracy marches.

But indications are that few people are willing to confess themselves, or turn anyone else in. Few people are said to believe the government's version of events and most are paying only lip service to the ideological campaign. Apart from widespread passive resistance, there have been reports of isolated attacks on troops, though the official news media have yet to acknowledge any deaths.

The continuing resistance is said to be behind the party's reluctance to lift martial law, begun on May 20, and costing China millions in lost tourism dollars. The decision to dispatch graduates to the country, where they will work in rural schools and factories, echoes moves made after the last bout of student unrest in 1986, when similar pilgrimages were ordered to put China's brightest youth in touch with "grass-roots reality".

Graduates will stay one year before returning to the city, and it is believed that the policy will be in place for at least four years. Some colleges resumed this month but most will begin the new year in September, when at least the first week will be spent studying the interpretation by Deng Xiaoping, the paramount leader, of the Tiananmen tragedy, which is officially called a "counter-revolution".

PLA troops are expected to be involved in the re-education of the new intake, though what the largely uneducated soldiers will offer students is not clear.

In an address from Wuhan University, reported in yesterday's Peoples' Daily, He Dongchang, vice-director of the State Education Commission, stressed the need for students to "integrate themselves with peasants". He urged strong action against "bourgeois liberalisation" and warned: "The stricter we are on them [students], the faster they grow up".

Eighteen condemned criminals, including policemen, being taken by truck to execution in Canton on Wednesday

China to station troops in Hong Kong after 1997

By Michael Murray in Hong Kong

A DELEGATION of Hong Kong citizens visiting Peking has been told that China intends to station People's Liberation Army troops in the territory after 1997, in spite of fears expressed by local people in the wake of June's bloody suppression of the democracy movement in China.

Mr Li Hou, vice director of the Hong Kong and Macao affairs office of Peking's state council and secretary general of the basic law drafting committee, told Mr Li Lin-San, chairman of the New Territories Association of Societies, a pro-Peking umbrella organisation, that under the terms of the joint declaration China was allowed to base troops in Hong Kong after it regains sovereignty over the territory in 1997, and that it intends to exercise this right.

The prospect of PLA soldiers being based in the colony was one of the issues raised by the foreign affairs committee during its hearings on Hong Kong, and was cited by Sir Geoffrey Howe, the former British Foreign Secretary, as a big area of concern for Hong Kong people.

The issue is likely to be raised by the British side at next month's meeting of the joint liaison group, which oversees progress towards the change of sovereignty, and will consider calls from the British side for China either not to station troops here at all, or only to maintain a token presence well away from the urban areas.

However Mr Jimmy McGregor, a Hong Kong legislative councillor, echoed a widely held view that China is unlikely to give up its right to station troops here, and that their presence in the territory or just a short drive away over the border makes little practical difference.

"I don't think it is an important issue," he said, and pointed instead to strengthening safeguards in the Basic Law involving the circumstances under which a state of emergency can be declared, and what the role of the PLA would be at such a time.

The consultation period on the Basic Law, the mini-constitution which will govern Hong Kong after 1997 and which will address such vital areas as the timetable for the introduction of greater democracy in the territory, has been extended until the end of October, after which a drafting committee will hammer out the final version for promulgation early next year.

Malaysia moves to reassure bankers

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S government has moved to pacify foreign banks concerned that they may lose any equity control to Malaysians despite a law requiring them to incorporate their branches locally.

Mr Daim Zainuddin, the Finance Minister, said on Wednesday: "The government has stated – and I now repeat – that upon local incorporation, the foreign banks will be allowed to retain 100 per cent foreign ownership."

Parliament passed the Banking and Financial Institutions Act last month. Within five years, banking licences held by the 16 foreign banks in Malaysia will automatically lapse.

To renew their licences, the law requires existing foreign bank branches to transfer their entire local assets and liabilities to a domestic company. This in effect turns the branches into subsidiaries of foreign institutions.

The law demands no equity restructuring in compliance with the ownership edict that calls for divestment to Malaysians, in particular a 30 per cent stake to Malays.

A change in their ownership status could leave the banks vulnerable to more pressures to give up some future equity or management control, or give up the advantage of freer transnational movement of funds they enjoy over local banks.

At present, foreign branches and local banks enjoy different privileges, such as minimum capital requirement, because their ownership status differs.

Kuala Lumpur, Singapore clash over US bases

By Lim Siong Hoon

MALAYSIA and Singapore are on a foreign policy collision course about whether Singapore should accept US military bases.

Singapore said last week it might want to host some of the US naval and air military units now stationed at the Clark Air Base and the Subic Bay Naval Base in the Philippines.

Two senior foreign Malaysian ministry officials have twice this week criticised the idea. Mr Ahmad Kamil, the foreign ministry secretary general, said Singapore's proposal was without logic. "Any proliferation of bases is against what we [the Association of South East Asian Nations] had set out to do," he said.

Tengku Ahmad Rithauddeen, Malaysia's Defence Minister, yesterday said he told a visiting US Admiral that establishing a US base in Singapore or the use of military facilities in Singapore by the US could jeopardise efforts to establish a Zone of Peace, Freedom and Neutrality (Zopfan) in South East Asia.

Malaysia has invoked the Asean-established principle of "Zopfan", conceived during the Vietnam war. This seeks, in part, to disengage the US and the Soviet Union from military involvement and interference in the region.

Hostage talks 'within days'

THE Iranian leadership suggested yesterday that indirect and informal talks between Tehran and Washington over the Lebanese hostage crisis could begin within days, perhaps using Pakistan as an intermediary, writes Victor Mallet.

"Political observers... believe that in the next few days we should expect certain moves towards mediation, of course unofficially, said an editorial in the government-controlled Tehran Times.

The newspaper - which is close to the relatively pragmatic Foreign Ministry and to the newly-elected President, Hojatoleslam Ali Akbar Hashemi Rafsanjani – named Mr Sahabzada Yaqub Khan, Pakistani Foreign Minister, as a possible go-between. He is due to visit Tehran on August 16.

Like the US, Iran has rejected a straightforward exchange of Western hostages in Lebanon for Iranian assets frozen by the US, while hinting in private the two may be linked.

"No-one takes very seriously the US rejection of a money-for-hostages deal because it was an American tradition to carry out certain strategic policies in secret," the Tehran Times said.

The idea of some kind of exchange involving the 17 Western hostages held by pro-Iranian groups in Lebanon was revived by Israel's kidnapping of a Shia Moslem leader in south Lebanon on July 28. One of the groups subsequently announced the murder of Lt-Col William Higgins, an American captive.

Mozambique rulers still unconvinced of rebels' legitimacy

Only a return to economic prosperity will provide a chance of lasting peace, Nicholas Woodsworth reports

AS exploratory peace talks between Mozambican church leaders and the head of the Mozambican National Resistance, Mr Afonso Dhlakama, ended their third day in Nairobi, the Mozambican news agency reported the killing of 54 people in a village north-east of the capital, Maputo.

The kidnap and slaughter of civilians by an enemy the news agency identified as "armed bandits" typifies the shadowy and brutal nature of Mozambique's war, and underlines the opinion of observers in Nairobi that current talks hold little immediate prospect of ending the 13-year conflict.

In recent weeks there have been encouraging signs that leaders of Mozambique's left-wing Frelimo government – now being represented in Nairobi by the country's churches – and rebels of the MNR were both moving towards direct negotiation.

In answer to rebel demands that Frelimo form a joint government with the MNR, hold national elections and make changes to the country's constitution, Mozambican President Joaquim Chissano in July issued a set of 12 principles upon which, he said, peace negotiations and an integration of the MNR into national life were contingent.

While he stipulated that direct dialogue depended on the MNR renouncing all violence, President Chissano insisted that he and the government were ready to "welcome our brothers back from the bush". Mr Dhlakama responded that he was willing to take part in negotiations mediated by Kenyan President Daniel Arap Moi and other African leaders.

Despite these verbal initiatives, however, progress towards ending a conflict that has resulted in the death of more than 600,000 Mozambicans and the paralysis of the economy is complicated by a number of unresolved political and economic problems.

One big hurdle to an internal peace settlement is the continuing Mozambican allegation of covert South African backing for the MNR. Despite assertions by Pretoria that it has not contravened a mutual non-aggression treaty signed by the two countries in 1984, suspicions in Maputo remain strong that South Africa continues to be involved in the supply of

Chissano: ready to "welcome our brothers back from the bush"

military hardware to the MNR.

These suspicions give strength to Frelimo's long-standing contention that the MNR has no legitimacy as a domestic political organisation. Until Frelimo is convinced that the conflict is a purely internal one, implications of South African involvement can only inhibit direct negotiations. The MNR claims to be a nationalist group, but its military nature and almost total lack of a coherent political programme will make it difficult to deal with on the level that national reconciliation would require.

Supported by traditional social and economic groups who felt themselves disenfranchised by Marxist rule at independence, and by ordinary Mozambican peasants whose chances of surviving starvation and rural chaos are enhanced by armed force, the MNR ideologically offers little beyond a virulent anti-communism. Given Frelimo's insistence that political accommodation can only come through constitutional change effected through Frelimo institutions, the MNR's lack of sophistication in its demands for power-sharing is not likely to aid the negotiation process.

At the military level, on the other hand, Frelimo is unable to bargain from a position of strength. It holds Mozambique's main cities, but rural areas everywhere are insecure. Its army is under-paid, underfed, and poorly equipped.

The MNR's claim to control 80 per cent of the country is exaggerated: in very few areas does it have any structure of administration. Nonetheless, its proven ability to sabotage road and rail links and seriously disrupt economic activity throughout the country make its military defeat unlikely. Given the MNR's relative freedom of guerrilla operation throughout the country, Frelimo is in no position to dictate the terms of peace.

Economically, Frelimo has come a long way in accommodating the wishes of the MNR. As policies of scientific socialism and centralised planning have over the years shown themselves incapable of reversing the economic decline caused by the war, Frelimo has undergone a transition from doctrinaire Marxism to a pragmatic, market-oriented form of socialism.

In 1987 Mozambique embarked on a classic, IMF-sponsored programme of structural adjustment, and continues to the satisfaction of Western donors to implement measures to liberalise its economy. Frelimo has also broadened its base of support, opening party membership to businessmen, property owners, religious leaders and other groups previously excluded.

Nonetheless, the economic devastation wrought by the war has created hunger, hopelessness, and dissatisfaction in many rural parts of the country. Three thousand schools and 800 health posts have been destroyed, 2m people have been driven from their homes, and almost half the population of 15m faces severe food shortages. It is the disaffection arising from such conditions that has given the MNR its support in the past.

Both Frelimo and the MNR leadership now find themselves after 13 years of war in a no-win situation, and may genuinely prefer the alternatives offered by peace negotiations. Conditions have so deteriorated in the countryside, however, that many MNR rebels, to say nothing of desperate men who have joined in widespread lawlessness for the sake of survival, may find they prefer to continue life from behind the business end of a gun.

Whatever the outcome of the present initiatives, only a return to economic prosperity will give Mozambique a chance of comprehensive and lasting peace.

THE PACIFIC RIM INITIATIVE

An idea whose time has come

For 20 years the notion of an OECD for the Pacific Rim nations has been discussed. Now Australian Prime Minister Bob Hawke wants to turn the talk into reality. Robin Pauley, Asia Editor, introducing this FT special report, assesses his chances

THE Asia-Pacific region generates more than one-third of all world trade and for the remainder of this century is likely to be responsible for the creation of more than half of the world's economic output. Yet the region has no formal institution for finding out what is going on within the region's economies and therefore no way of knowing whether the benefits of economic co-operation are being maximised or minimised.

This lacuna has been discussed many times before in the last two decades and there have been lots of ideas about what to do. All have come to nothing. Either the proponents themselves were not clear about what they wanted or key players refused to join because they suspected the motives of others, especially if the idea came from Japan or the US.

Now the idea is up again, this time at the instigation of Mr Bob Hawke, the Australian Prime Minister. He thinks its time has come and that some form of co-operation which he loosely describes as a sort of Pacific OECD will be formed. *He is working to secure agreement* that an initial ministerial meeting to be held before the year end to discuss setting up a permanent secretariat. This meeting would be in Canberra in November and regional economics ministers would attend, on their way to the Pacific Economic Co-operation Conference (PECC) in New Zealand.

But after a bout of initial enthusiasm the Australians are having some difficulty promoting their idea. They have, with increasing trouble, been persuading a core group of 10 nations to attend plus the US and Canada. The 10 are Australia, New Zealand, Japan, South Korea and the six Asean nations of Thailand, Indonesia, Malaysia, Singapore, Philippines and Brunei.

The Asean countries are proving the most hesitant. They refused to endorse the Hawke idea fully at their annual foreign ministers' meeting last month. They will not commit themselves until they can see more clearly what it is really supposed to be and, more important, until they are sure it will not undermine the structure and nature of Asean. Their endorsement now seems most unlikely before the next meeting of Asean economic ministers in Brunei towards the end of the year and possibly too late to make the Canberra meeting viable.

Bob Hawke: region at pivotal point in history

Mr Hawke insists that his idea cannot compromise any existing structure like Asean or the South Pacific Forum *because they are all essentially* political or, like PECC, transient and lacking in a permanent secretariat.

Mr Hawke has argued that the vast resources of the Asia-Pacific region cannot be fully exploited unless nations work together to form a new organisation for economic co-operation. "The Asia-Pacific region is at a pivotal point in history. And the region is located at a pivotal point in the global economy. We should try to investigate whether through co-ordinated policy making we might better capitalise on the economics of the region."

Creating a new, co-operative organisation among nations in the region would help them reach their economic potential. "Serious cracks are appearing in the international trading system which have major implications for the future health of both our region and the world economy," he said, when he launched his idea in February in Seoul where he gained the immediate and enthusiastic support of President Roh Tae Woo.

He cited as examples the pressure from trade imbalances between Asian nations and the US, a trend toward protectionism and the formation of regional trading blocs in Europe and elsewhere.

He has also tried to define what the group should do: "We should have some sort of mechanism which would enable us better to understand what was happening in each economy. We would be able to best take advantage of the possible economic complementarities of the different countries in the region and also through closer economic co-operation. And that way also to be a force within the world for arguing the case for a freer international trading environment. Now, all those things seem eminently sensible, non-threatening and possibly to be very useful."

Not every one is so sure. The first problem is the sensitivity of small countries to the political and economic muscle of the big ones. Suspicions about the US (and to a lesser extent, Japan) were evident in several countries, notably Malaysia – so much so that Australia excluded the US and Canada from the "core group" and only included them later. The US was most displeased about this early apparent snub but has got over it and Mr James Baker, the US Secretary of State, has recently not only given the idea his full support but urged that it go further than trade and economics to include cultural and natural resource issues.

Indonesia, which is the biggest country by far in Asean and will accept nothing that dilutes Asean's status, is patching up a long-standing dispute with China bnt not to the extent that it would want China or any other socialist economy included in a new group. So Australia's plan to expand the 12 to 15 by *including* the "three Chinas" – Taiwan, Hong Kong and China – looks doomed, particularly since international disgust with China is so great following the brutal suppression of student demonstrations in Peking's Tiananmen Square in June.

It also puts the suggestion of Senator Gareth Evans, Australia's foreign minister, that the Soviet Union, and later Vietnam, should be considered for membership firmly in abeyance. It is not easy to see how a genuine Asia-Pacific trade grouping could long rationally ignore other nations on the Pacific coast of the Americas, particularly Chile and Mexico. But they have not even been mooted and given the difficulties in getting the present limited grouping agreed they are not likely to figure for some time.

Thailand and the Philippines agree with Indonesia's view that Asean must be central to any new group. But their suggestion that it would be better to proceed by expanding Asean's annual meetings to include the US, Canada, Australia, New Zealand and Japan will not please Mr Hawke.

He is trying to get a higher regional profile for Australia and to pursue his campaign for free trade. Australia chairs the 14-nation Cairns group which has been exceptionally successful in identifying both short and long-term solutions in the agricultural sector of the current Uruguay Round of multilateral trade negotiations. But the Uruguay Round finishes in late 1990 and Mr Hawke is anxious to give all the free trade issues, not just agriculture, another big push quickly. The Asean dither is thus causing vexation in Canberra.

But here Australia also has a problem with its otherwise strongest supporter for the idea, Japan, which has itself previously put forward numerous proposals for more formal regional co-operation. The Ministry of International Trade and Industry has long made plain that no new grouping could hope to achieve co-operation if its main rationale is *strategic*.

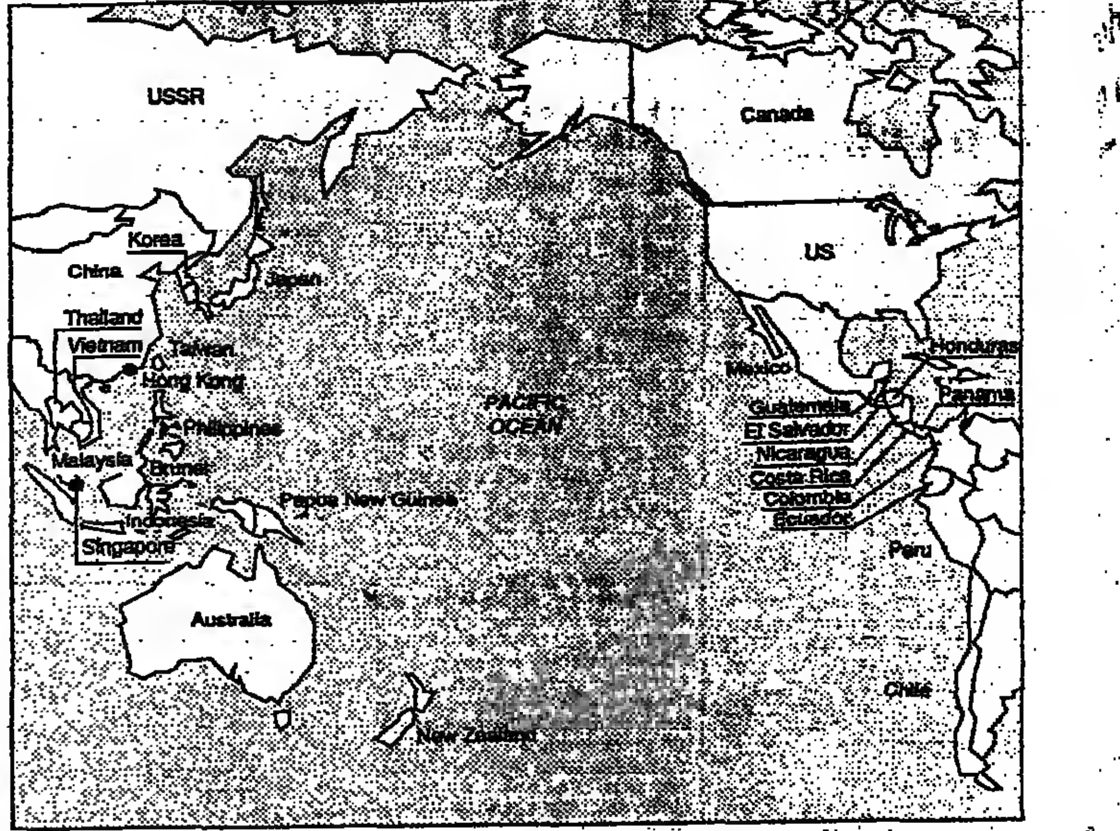
And there is further problem facing Mr Hawke's initiative. The more he proclaims that it is not intended to be a trading bloc the more the feeling grows that it might become one later. Many helieve that his idea found a more receptive echo than its predecessors because of uncertainties about the future direction of US trade policy under increasing domestic pressure to be more protectionist and about whether the European single market after 1992 will make the EC a more closed trading bloc.

Mr Hawke himself has been ambivalent. His idea should not be interpreted "as suggesting by code words the creation of a Pacific trading bloc," he said in Seoul. But he added that if a trading bloc became necessary in the future, the "building blocks" would be in place.

And in Canberra last October he was quite specific: Pacific nations might form a trading bloc to rival Europe and North America if efforts to free world trade fail. He wanted to strengthen multilateral trade under the General Agreement on Tariffs and Trade. "For that reason we have not succumbed to any suggestions about detailed discussions about blocs. But if agreement is not reached on free trade then we would have to look at the possibility of some association with others, including Japan. We are part of the fastest growing region in the world in the western Pacific. We would look at that," he said.

Some other countries are equally ambivalent. Datuk Abu Hassan Omar, Malaysia's foreign minister, is strongly opposed to trading blocs and is withholding his full support from the Hawke initiative until he knows exactly what it is and is not. He has made plain his refusal to join any initiative that would "set in train the creation of a trading bloc." However his cabinet colleague, Dr Lim Keng Yaik, Minister of Primary Industries, has been equally forthright the opposite way: "South East Asian countries will be forced to form their own trading bloc linked with Japan, if the US and the EC persist with protectionist policies. I would prefer multilateral trade rather than trading blocs. But the US and the European Community are pushing other countries towards forming blocs," he said.

The nations of the Asia Pacific have spent 20 years discussing whether to form an OECD-type organisation. It is becoming clear why Mr Hawke may need a lot of Australia's famed luck if it is not to take as long again.



Australians take closer interest in neighbours

By Chris Sherwell in Sydney

THERE is a curious dichotomy about current Australian attitudes to the Asia-Pacific region. The government believes that that is where the country's economic future lies. But business appears to be interested chiefly in Britain and the US.

The contrast, though clear, is deceptive. For one thing, Mr Bob Hawke, the Prime Minister, who launched his Pacific co-operation initiative earlier this year, has stressed that it is not being pursued at the expense of Australia's more traditional relations with Europe or the US.

Likewise, Australian companies are readily investing in the Asia-Pacific region to take advantage of its self-evident potential. Just as important, the country's trading relationships with the area are growing all the time. Australia's trade with the western Pacific accounts for half its total trade, and two-thirds if North America is included.

In investment, half of the total foreign investment in Australia originates from the Asia-Pacific, and almost 60 per cent of its own investment overseas is located in the region.

Isolation and self-reliance are simply not long-term options for Australia, and Mr Hawke's proposal, unveiled in Seoul last January, aims to promote the conditions which have made the region the fastest growing in the world.

The proposal is hardly new: it does little more than draw together various strands of thought about regional economic co-operation which have been around for years. Bnt it has been singularly well-timed.

According to Senator Gareth Evans, Australia's Foreign Minister, existing networks of co-operation – Asean, the Pacific Economic Co-operation Conference (PECC) and the Pacific Basin Economic Council – are no longer meeting the requirement for a hroad regional dialogue at government level.

Following consultations on the Hawke proposal, he says, there is an acceptance "that a more formal arrangement for intergovernmental consultation is required; that its focus should be exclusively economic; that it should have some modest institutional support; and that a ministerial level meeting toward the end of the year would be the appropriate way to launch the process."

That meeting is now set to take place in Canberra in November.

For Australia, the operation holds specific economic attractions: further progress towards internationalisation, closer contact with the world's fastest-growing region, and wider two-way trade and investment access. Politically it enhances Australia's position on the international diplomatic stage.

"We do not seek to hide our hope that the initiative will bring economic returns to Australia," Senator Evans says. "But we also believe that there is something in it for everyone." Those benefits include closer regional co-operation, stronger collective influence, and easier resolution of future trading problems.

In promoting the concept, Australia has been at pains to point out that the grouping is not to be a talking shop, will not have a giant new regional bureaucracy, and is not intended to displace any existing institution.

Above all, it is not to become an Asia-Pacific trading bloc – the aim is to strengthen the multilateral trading system.

But whether the group's members will avoid any of this is another matter. The grouping will initially depend on PECC for the kind of analytical work which distinguishes the OECD. But it is questionable whether that arrangement will last.

Cynics think a bureaucracy is unavoidable, and experience supports them. Worse still, no one doubts that, if the Gatt system really did break down, this grouping would be the obvious fall-back for an Asia-Pacific trading bloc.

Mixed views among the key Asean countries

By Peter Ungphakorn in Bangkok

ADVOCATES OF Pacific Rim economic co-operation say the participation of south-east Asian countries is vital if the co-operation is to have any impact.

But the six members of the Association of South East Asian Nations (Asean) have mixed feelings. They have hardly started to discuss the issue within their own countries, let alone to adopt a common position.

For Asean, having a common position is important. For 10 years the Association's unity has been cemented by two issues: opposition to the Vietnamese occupation of Cambodia, by far the dominant issue, and adopting common positions on economic and trade relations with the rest of the world. Economic co-operation within Asean has been minimal although there are signs it might be increasing.

With a Cambodian settlement in prospect, Asean is beginning to look for other areas of common interest. Its members, Thailand, Singapore, the Philippines, Malaysia, Indonesia and Brunei are worried by moves towards protectionism around the world. The Hawke campaign thus comes at a crucial time.

But some observers wonder if the proposed group of 12 could co-operate on anything substantial. For example, the Cairns Group, which includes Australia, New Zealand, Canada and four Asean countries, shares a common antagonism towards the farm subsidies of the US and EC.

It is difficult to see how the Asian countries could reach agreement with the US and Japan on this or any other major issue being negotiated in the Uruguay Round. South Korea and Thailand, for example, are on the US "priority watch list" for possible retaliation against infringements of intellectual property rights and other alleged unfair trade practices.

In order to sweeten the terms for Asean, it is proposed to use existing Asean institutions, particularly the regular meetings Asean holds with its major trading partners.

That appears to be the minimum acceptable conditions for Asean's members, who are afraid their association could fade into the background.

But it might not be enough. Singapore's Foreign Minister, Wong Kan Seng, for example, is said to oppose anything other than a consultativs gronp.

Indonesia is traditionally more reluctant to discuss economic co-operation than its neighbours. And the Malaysian Foreign Ministry is said to be less keen on the idea than the Trade and Industry Ministry.

Furthermore some Thai officials argue that setting up a regional grnup at this stage could worsen distrust among non-members such as the EC and damage the chances of meaningful agreements being reached in the Uruguay Round next year, although the official Thai position, when it emerges, need not necessarily take this view.

Thailand is at least more willing than some of its neighbours to co-host with Australia a meeting of officials in Bangkok in mid-September to prepare for the ministerial meeting in November in Canberra. Invitatinns have also been *sent out from Bangkok* for Asean economic ministers to hold their annual meeting ahead of schedule on September 11 and 12.

Nothing is definite yet, but the proposed schedules would at least allow Asean to work out some form of consensus before talking to the other participants.

US sees political and trade benefits in Hawke initiative

By Lionel Barber in Washington

THE Bush administration is devoting increasing attention to Asia and the emerging Pacific Rim Initiative.

In part, this stems from the view of the world shared by President George Bush and Mr *James Baker, US Secretary of* State: that the long-term security of the US does not simply depend on military hardware, but also on the promotion of pluralist, free-market values in other countries.

This is particularly true of east Asia. As Mr Baker pointed out in a speech to tbe Japan Society last June, US trade with east Asia bas doubled since 1982. In 1988, America's trans-Pacific trade totalled $271hn, far more tban its trans-Atlantic commerce which last year amounted to $186bn.

The speech – wbicb signalled tbe administration's readiness to join Australia's efforts to promote a Pacific Rim initiative – also pointed out that eight of the US's top export markets are now in the Pacific. The US has a view of the world which encompasses more than just the old East-West rivalries, says one senior administration official. "The Pacific region is very important for growtb and for movement towards pluralist political systems and institutions."

At the same time, the US sees the Pacific Rim idea as a means of easing Asian fears of American withdrawal in tbe face of increasing economic competition abroad and domestic budgetary constraints at home. Though the "Amsrica in Decline" thesis is overstated, senior officials recognise that it continues to he "symbolically sensltive" in Asia (not least because countries such as Singapore and Thailand continue to want and need American investment).

On a more practical point, the Bush administration sees the Pacific Rim as a further means of managing its relationship witb Japan in a constructive multilateral forum, as opposed to more blunt unilateral mechanisms such as the Snper 301 provision under the Omnibus Trade Act.

Developing the multilateral theme, US officials say they would look favourahly on efforts by the Pacific Rim countries to speak with one voice on global negotiations such as the Uruguay Round on Gatt. This should not, they say, be interpreted as a move towards economic trading hlocs; on the other hand, it would send a signal to the European Community moving toward a single market in 1992 that other nations in important regions want progress towards open markets.

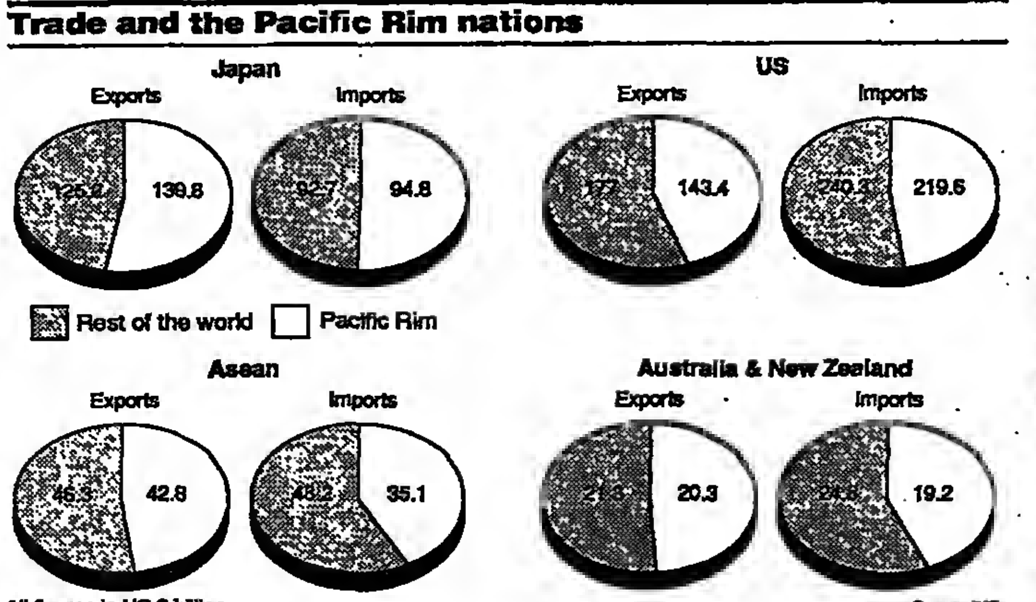
So mucb for the theory, what about the practical efforts to get things moving? US officials say they are anxious not to push the Asean countries too hard, preferring to let Australia take the lead role. "There is no rush," said a senior official, talking about a lead time which may well stretch into a prospectivs President Bush's second term, "we want to let this important idea develop over time."

In his Japan Society speech, Mr Baker said the "Pan-Pacific partnership" should incorporate not only trade and economic issues – sncb as regional communications and transport – but also environmental and cultural matters. The forum could be modelled a little like the Group of Seven industrialised meetings, hut with a small secretariat to provide economic analysis.

Mr Baker also added that the forum should recognise diversity – a signal that the US wants wide membership. At the moment, partly because of the upheaval in China, tbe prospectivs members would not include the People's Republic, Taiwan or Hong Kong. But one US official cautioned that this position could cbange, longer-term.

In the last resort, the Bush administration is also trying to mould its emerging Asia policy to domestic political circumstances such as tbe Democratic majority in the US Congress and the temptation to follow mercantilist/protectionist political leaders typified by Congressman Richard Gephardt of Missouri, the new House majority leader.

Trade and the Pacific Rim nations



All figures in US $ billion

Source: IMF

Japan seeks to shake off imperial legacy

By Stefan Wagstyl in Tokyo

FOR Japan, Asia-Pacific co-operation is an old idea wbose time has finally come.

It was clear as early as the 1960s that the rapid economic growth of the region, powered hy Japan, would eventually stimulate buge flows of trade and investment, as well as exchanges in people, technology and ideas.

But the debate on inter-government co-operation has moved slowly because the obstacles are as large as the opportunities. The sheer diversity of the region makes the development of common interests difficult. The countries vary greatly in size, climate, and level of economic development. History divides rather than unites, so does culture.

For Japan the biggest hurden has been convincing other countries in the region that as an economic superpower it does not seek domination. Memories of the wartims Greatsr Asia Co-Prosperity Sphere run deep. Japan has been reluctant to be the prime-mover in promoting co-operation, preferring to let othsr countries make the running.

The Ministry for Foreign Affairs, whicb puts political interests first, still remains suspicious ahout the whole idea in contrast to the Ministry for International Trade and Industry, whicb believes co-operation will ultimately boost Japan's economic performance.

In the past year MITI has gained the upper hand in the argument because of the willingness of other countries to support co-operation plans. It welcomed the initiative Australia has taken in proposing a conference in Canberra.

The ministry was glad too that Mr James Baker, the US Secretary of State, gave a strong endorsement to co-operation talks.

The scale of regional economic exchanges has reached the point at which, in the words of a MITI report, "Asian-Pacific co-operation is an inevitable development of economic growth."

Economic inter-dependency is already a fact of life. MITI estimates that in 1987 intra-regional trade accounted for 63 per cent of the member countries' trads, as against 58 per cent for the EC. (It should be said MITI uses a very broad definition of ths region, taking in the Asean countries plus Taiwan, Hong Kong, and South Korea, as well as China, Japan, ths US, Canada, Australia and New Zealand).

Within the Asia-Pacific region, the closest new economic ties are being formed between Japan and Asian countries. The US remains the biggest export market for most countries but Japan is rapidly catching up. Japan already exports far more to the region than does the US. According to the International Monetary Fund, trade between Japan and North America rose 11 times between 1970 and last year to $146bn. Japanese trade between the newly industrialising countries (Korea, Taiwan, Singapore and Hong Kong) increased about 20 times to $70bn. Trade between Japan and Asean rose about 14-fold to $45bn.

Japan overtook the US as the largest foreign investor in the region in 1986. In the year to last March Japanese investment in Asia totalled $5.6bn. Its cumulativs investmsnt is likely to exceed that of ths US in the mid-1990s.

It might seem natural that these powerful economic forces should be driving Japan into closer economic co-operation with its fast-growing Asian neighbours. However, nothing could be further from the truth. For one thing, memories of the Japanese occupation are particularly bitter in South Korea and Taiwan. For another a small grouping might threaten to overshadow Asean. Asean countries have warned Japan that they would resent any attempt to usurp the role of their organisation. The US and Japan value Asean's pro-Western stance too highly to risk disturbing what is recognised as one of the most successful Third World *regional* clubs.

Above all, Japan does not want any grouping to turn into a trading bloc. MITI dislikes the expression "yen bloc," It insists that any co-operation agreement should have free trade as its prime objective. Japan, as well as South Korea, Taiwan, Singapore and Hong Kong, liva by their exports – they want the co-operation cluh to be as big as possible, to create the widest forum for ironing out frictions caused by their trade snccesses, especially vis-a-vis the US. Mr Saburo Okita, a former foreign minister, says: "Ws can't be seen to be ganging up."

Mr Okita adds that the Asia-Pacific region should set an exampls to discourage the European Community and the US from adopting protectionist policies.

As a result, Japan favours a loose, widely-based Asian-Pacific route to economic co-operation. A MITI official says: "We havs to move very slowly and very cautiously." MITI would like to see ministerial conferences developing into annual events. But it is opposed to the establishment of a permanent secretariat. It believes the necessary work can be done by individual governmants.

This sounds nebulous. However, MITI does have some specific projects in mind for discussion in Canberra:

- *Further expansion of trade:* MITI believes ths region could take concerted action at the Uruguay Round of the Gatt. Japan could hoost imports from the region through the Japan External Trade Organisation (JETRO).
- Education: Japan could supply money and staff for technology training centres and research and development centres in various countries.
- Communications: a pan-Asian satellite project.
- Energy: joint development of energy schemes, including electricity, coal and gas.
- Economic leadership: the US, Canada, Australia, New Zealand *and Japan could speak* for the region at the OECD and at Economic Summits.
- Others: consolidation of regional economic statistics; a trade fair, a "modern cultural and industrial festival of Asia."

For Japan, the ultimate aim of this style of co-operation will be to improve its relations with its Asian-Pacific neighbours. This should smooth the way for its sometimes over-aggressive corporations to operate profitably in the region. It will also give an outlet for those *Japanese who see their* country's role in the world as more than just making money. Some Japanese officials believe the age is past when one country could expand its influence around the world in the all-embracing independent way that *Britain* or the US once *did*. Co-operation might be an alternative.

AMERICAN NEWS

Anti-trust probe of top colleges

By **Lionel Barber** in Washington

THE US Justice Department is investigating whether elite universities and colleges are collaborating on fixing tuition fees and financial aid, in violation of anti-trust laws.

The probe covers such august institutions as Harvard University, Tufts, the University of Chicago and Colby College in Maine. It homes in on the long-standing practice by which colleges agree to offer almost identical financial aid to students accepted at more than one school.

College costs continue to outpace inflation, as they have done during the past eight years. Some elite schools charge more than $20,000 a year for room, board and tuition. Harvard ($18,380) and Yale ($19,310) are not far behind.

These gross fees are offset, however, by scholarships and other aid according to applicants' ability to pay. Such aid packages could amount to as much as $8,000, and colleges are increasingly assuming the burden because of federal cuts.

The aid is likely to be roughly the same among the top schools because, each year, in a practice going back 30 years, financial officers from more than 20 east coast institutions gather to agree general outlines.

The elite colleges defend this practice on the grounds that it prevents a bidding war among schools competing for desirable students, and enables the student to choose a college on academic grounds alone. The practice has been openly discussed, and reported in the press.

Educational institutions in the US are exempt from some provisions of the anti-trust laws, but agreements to set similar levels of tuition and financial aid could constitute unfair restraint of trade, some legal experts believe.

Argentine deputies back Menem economic package

By **Gary Mead** in Buenos Aires

ARGENTINA'S Congressional deputies have approved in general terms President Carlos Menem's Economic Emergency Bill, which would give his government wide powers to cut state subsidies to industry and to privatise almost all the public sector.

However, the lower house of Congress will now proceed to debate each of the 70 articles of the bill, and it is expected that both opposition politicians and many of Mr Menem's own Peronist party will try to water down some of the more far-reaching changes proposed.

The bill is not expected to gain final approval – even in its altered form – until the end of next week.

Meanwhile figures released yesterday showed the country's gross domestic product (GDP) fell by 3.1 per cent in 1988 from the previous year.

The last quarter of 1988 showed an accelerating deterioration, with GDP falling by 7.2 per cent on an annualised basis, marking the start of an serious industrial recession still in place today.

There was a 7 per cent drop in industrial production and a 14.5 per cent decline in construction in 1988. One of the few positive figures for last year – a 4.9 per cent increase in electricity, gas and water consumption – is one indicator of the continued relative health of Argentina's thriving black economy.

Argentines ask for amnesty

By **Gary Mead**

THE PROSPECT of an *imminent amnesty for all those* involved in the Argentine internal violence of the 1970s has advanced, following remarks made by one of its most prominent victims, Mr Jorge Born.

He is a leading Argentine businessman who was kidnapped in 1974 by guerrillas of *the nationalist Montoneros*, followers of the late General Juan Perón. He was released after delivery of a $60m ransom.

Mr Born has called for a complete amnesty for both sides in the conflict. This would be for Montoneros, and for the military who suppressed activists and were *responsible for the disappearance* of thousands of people.

The businessman's appeal has added weight in that Mr Nestor Rapanelli, former vice-president of his multinational company, Bunge and Born, is now Economy Minister and the figure most responsible for President Carlos Menem's drive to rectify Argentina's dismal economy.

The new chief of the air force, Brigadier José Antonio Julia, has added his support to *the amnesty call.*

In a press interview yesterday, he said: "It is absolutely necessary" to put an end to the matter, though, "the timing [of an amnesty] is a political decision."

Since Mr Menem took office on July 8, speculation has increased that such an amnesty was near, the only problem being to find a formula to satisfy all parties and irritate as few as possible.

One of the most vociferous proponents of an amnesty for the military – though not for jailed guerrillas – is that section of the army loyal to Colonels Aldo Rico and Mohamed Ali Seineldin, the first of whom staged two insurrections (April 1987 and January 1988) and the second the most serious rebellion in recent years, in December 1988.

Their position has been in doubt for months. Mr Italo Luder, Defence Minister, said this week they "will have to retire" from the army.

However, it is clear that, if they are retired, they and senior officers in sympathy with them *will* expect them to be given other official posts commensurate with their self-esteem.

At least 100 killed in Mexican train plunge

At least 100 people are estimated to have been killed, and more than 500 injured, when a Mexican train plunged into a swollen river on Wednesday, Richard Johns writes from Mexico City.

The Star of the West passenger train from Guadalajara to Mexicali left the rails and fell into the River San Rafael, in the north-west of Mexico.

Mexican national railways said yesterday that the probable cause of the accident was the undermining of the bridge supports after heavy rains in the region which, by way of irony, had been suffering severe drought until recently.

An exact count of the dead was not immediately possible because two of the 11 passenger carriages fell 100 feet into the deepest waters.

Even in this most accident-prone region of the country, where many a bus has plunged into ravines and killed passengers, the sense of shock has been *profound.*

The accident is a serious setback for the railway system, whose service has considerably improved in recent years.

Railway officials estimated that the cost of the disaster would amount to nearly £500,000.

President Carlos Salinas de Gortari sent his "most sincere condolences to the relatives of the dead in this most lamentable tragedy."

He ordered the railways to pay for all funeral, medical care and first-aid expenses.

Gunman kills two in California

A LONE gunman believed by police to be a disgruntled employee shot two staff members and wounded another in a post office in this southern California town on Thursday and wounded another before shooting himself in the head, Reuter reports from Escondido, California.

Escondido Police Captain Mark Ippolito said a woman was found dead at the gunman's residence.

"What we appear to have is a disgruntled ex-employee who went out to the post office."

Fresh hope as search for congressman continues

THE US embassy said yesterday an American weather satellite had picked up what could be a distress signal from the missing aircraft of US congressman Mr Mickey Leland, Reuter reports from Addis Ababa.

Ethiopian aviation officials said pilots searching for the Twin Otter aircraft would begin flights over the remote mountain region in the province of Bale, southern Ethiopia, where the signal was picked up.

The area is at least 200km south of the flight path the aircraft was thought to be following when it disappeared on Monday.

An Ethiopian official said the Government had received reports from people in Bale suggesting that an aircraft had come down there, but he could not confirm the reports.

He said he did not know whether Congressman Leland and the 13 other people on his flight were alive or not.

The US embassy spokesman said American experts could not definitely say whether or not the signal picked up by the satellite was from the missing aircraft.

Mr Leland, 44, chairman of the House of Representatives select committee on hunger, had been visiting a refugee camp at Fugnido, in the westernmost part of Ethiopia.

Ethiopian President Mengistu Haile Mariam has said his Government will not abandon the search until the Congressman's aircraft is found.

Twelve Ethiopian aircraft and two US C-130 transports have been involved in the search, which has continued despite heavy rain falls and cloud.

Military officials confirm satellite

US military officials broke silence to confirm the successful deployment of a powerful spy satellite from the space shuttle Columbia as five astronauts spent their third day in orbit, Reuter reports from Houston.

"The United States now has a satellite in orbit as a result of a very successful launch," Air Force Secretary Mr Donald Rice said late on Wednesday at MacDill Air Force Base in Tampa, Florida.

Nasa would confirm only that the orbiter, which took off on Tuesday from Cape Canaveral, was still circling the earth and performing well. "There are no problems and the crew is doing fine," Nasa spokeswoman Ms Linda Copley said. "We don't expect to have any announcements until 24 hours before touchdown."

Mr Rice declined to provide details on the satellite.

Troops seal off Panamanian base

US troops sealed off the Fort Amador military base for two hours (above) on Wednesday and detained two Panamanian soldiers, after Panamanian forces had arrested two US servicemen, Lionel Barber reports from Washington.

The tension between US and Panamanian troops at a Panama City military base this week may signal further confrontation in the next few weeks, US officials believe.

The incidents followed the detention of 29 Panamanians for 75 minutes, they having entered the jointly run base without permission.

Tension has been rising since General Manuel Noriega, Panama's military ruler, annulled general elections last May.

Washington underlined a tougher approach recently by installing General Maxwell Thurman as commander of the 12,600-strong US Southern Command in Panama.

Five hands point to contras' exit

Tim Coone examines the Central American peace accord

A NEW chapter in Central American history was written at the Honduran town of Tela this week. As a result of the accord signed there, all the principal armed conflicts in one of the world's political tinderboxes are being defused. The familiar landscape of guerrilla wars and counter-insurgency campaigns, diplomatic polarisation and political repression may be about to change.

Two years after the landmark Esquipulas II agreement set the regional peace process in motion, five Central American presidents signed an accord which, within 120 days, is to put an end to the US-backed Nicaraguan contra rebels as a military and political organisation.

Also, the left-wing FMLN guerrillas in El Salvador are being "vehemently" urged to call an immediate ceasefire, to negotiate with the government of President Alfredo Cristiani and to reincorporate themselves into civilian life. A similar call is being made to the Marxist guerrillas in Guatemala.

For Nicaragua's left-wing government, which has unreservedly backed all these declarations, the Tela accord is a big step forward. Careful diplomacy has succeeded in inverting Managua's political isolation in the region, turning the clock back to the early 1980s, before regional polarisation began. It was the Sandinistas' acceptance of broad-based political pluralism at home, including an antagonistic right wing, that won this peace agreement.

Much of the groundwork was done at the last Central American summit. With elections set for February in Nicaragua, President Daniel Ortega promised political reforms. In return, the other four presidents agreed to elaborate with him a plan for the demobilisation, repatriation or voluntary relocation of the contras – the Nicaraguan Resistance (RN) – and their families.

In exchange for support from the internal opposition for this proposal, the Nicaraguan government made further substantial concessions. Last Friday, an agreement with 20 opposition parties, calling for demobilisation, left the contras without organised internal political support for continued armed struggle.

The settlement thus sets a precedent for the rest of the region, and shifts the political focus from Nicaragua to El Salvador and Guatemala. Their governments will have to implement democratic reforms if they wish to reach negotiated settlements and disarmament of their local guerrilla movements. Honduras also needs reforms and a change of thinking to frustrate three or four nascent guerrilla groups.

consolidation of a democratic *political system in Nicaragua* has been a US foreign policy success.

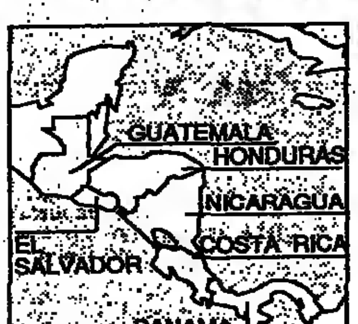
The fact that Nicaragua committed itself, at Tela, to support an immediate ceasefire and a political solution in El Salvador will also be regarded as a success. In the early 1980s, the Sandinistas were encourag*ing the FMLN to overthrow the* Salvadorean government.

Without the contras, though, Washington's methods of putting pressure on Managua will have to change, and potential European aid donors will return to Nicaragua if the conditions are acceptable. "If we go we shall all go together."

The ISVC has been mandated by the five presidents to monitor Nicaraguan internal politics, and to report on any abuses against the returning contras. Provision is also being made for economic support of the estimated 60,000 Nicaraguan contras and refugees living in Honduras for relocation in Nicaragua or to third countries.

Direct talks on details between the Sandinista government and the RN are expected

THE TELA AGREEMENT



Signed on August 7 in Tela, Honduras by the Presidents of Nicaragua, El Salvador, Honduras, Costa Rica and Guatemala

- The Nicaraguan contra rebels are to begin demobilising within 30 days. Resettlement of the contras and their dependents is to be completed within another 90 days
- Honduras will no longer allow its territory to be used by rebel forces fighting another government
- Nicaragua will drop its case in the World Court against Honduras protesting at the presence of contra forces
- The United Nations will be asked to provide mechanisms to verify the demobilization and end of hostilities
- Leftist rebels in El Salvador are asked to give up their fight and "initiate dialogue" with the Salvadorean government
- The five nations will co-operate in the fight against drug trafficking and use
- The five presidents agreed to meet in Nicaragua before the end of the year

"This political change would open huge opportunities. Nicaragua's next objective will be to try to open the political space in the rest of Central America for the left to make a democratic challenge for power, and for the guerrilla movements to return to civilian life."

In this changed landscape, the US will move very warily. Washington's main instrument of policy – the contras – seems to have been removed from the political equation by the Tela accord. The key US allies in the region – Honduras, El Salvador and Guatemala – all voted to disband the rebels, by force if necessary, before Nicaragua's elections. This was despite last-minute pleas from the White House.

The US has put a brave face on all of this. Washington will argue that it was only through pressure from the contras that the Sandinistas abandoned a more authoritarian political model, and that therefore the

become the targets of more intensive US lobbying. Also, the US is now expected to focus increasingly on ensuring that the Nicaraguan elections are free and fair, and on guarantees of safety for rebels returning to Nicaragua.

The demobilisation, relocation or repatriation of the contras is the main challenge to the Tela accord. Senior contra leaders have refused to demobilise their troops on the given timetable. So a delicate task lies ahead for the International Support and Verification Commission (ISVC), to be established by September 8 with input from the UN and the Organisation of American *States, to convince* the contras that there is now no other way out.

The Nicaraguan government has to keep sending positive signals. Comandante Johnson, so-called, the contra spokesman in Tegucigalpa, said: "Demobilisation now depends on the guarantees for our return. We are prepared to to start in September. Comandante Johnson said, however, that these would probably be with the field commanders, "not the political leaders, as the combatants are the ones who will be returning to Nicaragua to live again in the mountains."

Some will wish to continue the fight and resist demobilisation. General Joaquin Cuadra, Nicaragua's Deputy Defence Minister, was emphatic about what would happen if such intransigent contras were to try to re-enter Nicaragua: "We shall finish them off."

If they try to stay in Honduras after the December deadline for demobilisation, the Honduran army has an obligation to force them from Honduran territory. Whether it will remains an unknown. In one of his more biting comments at the Tela summit, though, President Ortega was heard to say: "The Honduran army is not just for parades."

Case against Northrop dismissed

Northrop, the US aerospace company, said on Wednesday that a federal court had dismissed a $2m (£1.3m) lawsuit brought by the government against the company two years ago, AP-DJ reports from Los Angeles.

In the suit, Northrop said, the government had made several allegations involving the guidance system which the company builds for the MX missile. The government's charges against the company's electronics systems division had included fraud and violations of the False Claims Act in the testing of a heat exchanger component of the guidance unit.

After a two-year investigation, the case was "dismissed with prejudice" in federal court last week, meaning it cannot be reopened, Northrop said.

Chicago traders admit abuses

Two traders in the Chicago Mercantile Exchange's Swiss franc futures pit pleaded guilty yesterday to trading abuse uncovered in the FBI's inquiry into Chicago's markets, Deborah Hargreaves reports from Chicago.

Their move follows the not-guilty pleas made by 12 traders from the CME's yen futures pit on Wednesday.

Indictments alleging fraudulent trading in Chicago's futures markets were handed down to 46 traders last week.

Military officials confirm satellite

US military officials broke silence to confirm the successful deployment of a powerful spy satellite from the space shuttle Columbia as five astronauts spent their third day in orbit, Reuter reports from Houston.

"The United States now has a satellite in orbit as a result of a very successful launch," Air Force Secretary Mr Donald Rice said late on Wednesday at MacDill Air Force Base in Tampa, Florida.

Nasa confirmed the orbiter *was still circling the earth.*

WORLD TRADE NEWS

Australia set to award £2.3bn defence contract

By **Chris Sherwell** in Sydney

AUSTRALIA is about to award its largest single defence industry contract – to build at least eight, and up to 12, light patrol frigates.

The contract worth A$5bn (£2.3hn), and first proposed two-and-a-half years ago, is part of a large array of Australian hardware purchases under the Lahor Government's defence policy of self-reliance within a network of alliances.

Other acquisitions so far include four squadrons of F 18 fighters, a clutch of Sikorsky Sea Hawk helicopters and six diesel-powered eubmarinee worth A$2.6bn. Sophisticated ground radar and airborne reconnaissance systems are high on the list.

The tender has produced not only an epic fight between the West Meko 200 frigate from Blohm and Voss and the Dutch M Class ship from Royal Schelde, it has intensified competition between two older rivals – Victoria and New South Wales.

If that were not complicated enough, there is more. The size and unit cost of the deal also depends on New Zealand taking four of the ships. Wellington, however, is involved in its own internal wrangle over the plan, which has the ruling Labour Party there in turmoil.

Should it decide not to participate, the strategic implications would be serious. New Zealand would confirm its drift from its traditional alliances.

Canberra would nevertheless press ahead with an eight-ship deal worth A$3.6bn – which is why the immediate focus remains the contract itself.

Because much of the value of construction comprises technology-based activities rather than simple shipbuilding, it

Beazley: will choose between Dutch and German tenders.

represents a base for further industrial development as well an opportunity to secure several thousand jobs. As a result, the pressures from the two competing consortia have been strongly reinforced by the Victorian and New South Wales state governments.

Mr Kim Beazley, the Defence Minister, is bringing the choice before Cabinet next week, and the marginal favourite is the West German consortlum, which is based at the Williamstown dockyard near Melbourne. Blohm and Voss's local partner is the Transfield construction group.

Over the past two years Transfield has taken full control of the newly-privatised Williamstown yard and of the other key consortium participants, which included the local companies Eglo Engineering, Australian Shipbuilding Industries and ICAL. New Zealand is represented through Cable Price Downer.

The group has also struck an sgreement with the local trade unions and rationalised tbe yard's operations. Most significantly, it is using its current contract for two smaller Australian Navy patrol ships to try out an attractive modular construction method which would allow work on the frigates to be spread to other yards.

Its Dutch rlval has responded to this by saying it can also split the work, but st a premium rather than to save costs, and on a smaller scale than the West German team will manage. Based in Newcastle, New South Wales, tbe Dutch consortium includes Carrington Slipway, the local shipbuilding compaoy, the electronics group AWA, and TNT, the transport giant. New Zealand involvemeot is through McConnell Dowall.

Its most Important advantage is that its M Class frigate is the marginal preference of the Australian Navy. But its strongest clalm is nakedly political, and is being pushed by both the Liberal party state government and the Labor opposition. They say Newcastle is a depressed town in desperate need of jobs, and that its people will vote against the Labor Governmeot at federal level if the town does not get the project.

As for New Zealand, the problem is just as political. The Labour parliamentary caucus is against the project. Mr Geoffrey Palmer, successor to David Lange, is reluctant go against caucus despite heavy pressure from Canberra.

Africa is seen as priority for US plan to swap debt for aid

By **Nancy Dunne** in Washington

THE announcement last week of a $3m (£1.87m) debt-for-nature swap for Madagascar signals the beginnings of broader involvement by the US foreign aid agency which will allow the US to leverage its declining resources for debtor country development projects.

In last week's transaction, seven commercial banks from five countries, led by Bankers Trust Company, participated in the swap with the Agency for International Development (AID), underwriting np to $1m of the funding costs.

The swap was part of the agency's debt-for-development programme launched last year and soon to he followed by other initiatives to "turn rocks into gold," according to Mr Richard Bissell, the agency's assistant administrator for programme and policy coordination. The agency was involved in two previous small debt-for-nature transactions in Bolivia and the Philippines.

It is working with the private Debt for Development Coalition in Washington to foster other projects in countries which have been forced by the constraints of their debt to cut back on social development efforts. Mr Jack Ross, director of the coalition, said two projects are now in the works. One would provide low-cost housing; the other, being negotiated with an East Coast regional bank would set up an education programme.

Coalition members are American colleges and universities, co-operatives, private voluntary organisations and research institutes engaged in economic development programmes. It works closely with non-government organisations in debtor countries to identify potential programmes in the areas of education, public health, nutrition, agriculture, small business enterprises, research, housing, credit and natural resource management.

"We've been warming up on this," Mr Bissell said, since a 1987 tax ruling made it desirable for US commercial banks to donate or sell heavily discounted debt for swaps. Many future projects are likely to be in Africa where the banks are "very sensitive to looming ecological tragedies."

The squeeze imposed by the US budget deficit has cut sharply into US foreign aid funds, which dropped from a total $20bn in 1985 to $14hn last year. Only $5bn of the latter was non-food, non-military aid, and the agency hes moved away from most of the costly infrastructure projects it once helped to fund.

Tbe debt-for-development projects are expected to be small enough for US aid money to make a significant impact. "What you can do with e couple of million dollars in Madagascar or Luanda or the Ivory Coast is very sizeable," Mr Bissell said. "A couple of million dollars in a place like Brazil would get lost."

Tbe Debt for Development Coalition has ideotified four methods to use foreign debt in support of development projects:

- Non-profit groups purchasing secondary market debt and converting them to local curreucies; resources could then be pooled to support joint ventures.
- Commercial banks or other firms donating debts as charitable contributions to non-profit organisations.
- Programmes to be crafted as important componeots in rescheduling deht plans by creditor nations.
- Private institutions converting their debt into equity positions, including joint ventures.

Punjab strikes blow for tartan tradition

By **Christina Lamb** in Sialkot, Pakistan

THE AMERICAN tonrist visiting Scotland would probably rather not know that the glorious tartan bagpipes he hought as a souvenir were almost certainly made in a *dusty town in Pakistan.*

Sialkot, a small dot on the map in the province of Punjab, does not seem a likely place to be the world's largest exporter of bagpipes.

After all, everyone knows bagpipes are made in Scotland. But amongst the chickens and oxen carts creating havoc in its *narrow streets, can* be *found* several gaily painted signs depicting Scots in tartan kilts playing bagpipes.

The bagpipe industry began in Sialkot during the days of the Raj when Sialkot was home to a large British garrison, complete with pipe band. One day a set needed repairing, and rather than send them back to Scotland, the player found an enterprising trader in the bazaar who set about first repairing and then copying them.

Today there are five bagpipe factories in Sialkot. The biggest and oldest is Halifax, begun by Barkat Ali in 1932, who named it after a school textbook "John Halifax, the Gentleman", in the hope that he, like Halifax, would rise from rags to riches.

Starting on a small scale he began exporting in 1942 and now earns £260,000 per annum in foreign exchange, with more than half the 5,000 sets produced annually going to Scotland. The Halifax bagpipes are of course handmade, and both the labour and good quality leather for the bag are available very cheaply in Sialkot.

It is cheaper for the Scots to import them than to produce bagpipes themselves. Barkat Ali's best professional bagpipe costs Rs2,500 (£76) a set, while the tourist model is only Rs400. The Scots, he says, "are very jealous."

Scotland is Barkat's biggest market. He supplies more than 3,000 bagpipes to wholesalers, tourist shops, Scottish military units and the police.

The tartans of various clans from Royal Stuart to Mackenzie are handwoven on looms in back rooms in Sialkot by people who have never heard of Scotland. The rest are sold to the United States and West Germany.

Barkat is a great fan of bagpipes, which he says "infuse martial spirit in a man." Pakistan's frontier regiments have all maintained traditions of pipe bands, surprising visitors by appearing in tartan kilts and playing renditions of popular favourites such as "Auld Lang Syne."

Wholesalers ask that he prints no name on the sets, and he suspects tbat some shops stick on "Made in Scotland" labels.

"I suppose tourists wouldn't buy them if they said 'Made in Sialkot'," he shrugged.

Turks ease trade row with Libya

By **Jim Bodgener** in Ankara

AGREEMENT has been resched on snbstantive six-year-old trade dispntes with Libya, Mr Isin Celebi, a Turkish Mlnister of State, announced yesterday.

His statement came after a meeting with Mr Jadallah al-Talhi, the Libyan Foreign Minister in Istanbul. This confirms agreements worked ont last month in Tripoll during a visit by Mr Celebi.

Libya would now accept letters of guarantee from Turkish banks, according to Mr Celebi. Previously, Libya's refusal to do this has beld up tenders for Libyan work by Turkish construction compaules, with the prospect of around $5bn (£3.1bn) in fresh work if they can secure the necessary financing.

*In addition, the Libyan Gov*ernment would meet $120m in backpayments to Turkish contractors, said Mr Celebi. However, Turkisb contractors say outstanding Libyan payments total around $400m. Goods and services to be snpplied to Libya by Turkey had also been agreed, and will be worked ont in detail at a joint economic commission meeting in September in Libya.

According to results of the July talks in Trlpoli, Libya would pay for any fresh contracts and other work in oil, on condition thet contractors lift amounts equal to construction costs *and* the *supplies.*

Ban on chemical wastes spreads to a third port

By Richard Donkin and John Hunt

A THIRD British port yesterday refused to handle shipments of the toxic waste PCBs (polychlorinated biphenyls). The Port of Bristol Authority said it had imposed the ban to protect the health and safety of employees.

This followed the action of Tilbury in Essex and Liverpool, both of which decided on Wednesday to cease all handling of PCB cargos. Liverpool has imposed a ban on importing all dangerous chemical wastes and Tilbury is considering a ban on the import of toxic materials.

Sir Hugh Rossi, Conservative chairman of the all-party House of Commons Environment Committee, yesterday accused Greenpeace, the environmental group, of causing "unnecessary alarm and damage" to the toxic waste disposal industry in its campaign against the import of PCBs.

Greenpeace persuaded Tilbury not to allow a Soviet ship to discharge a Canadian cargo of PCBs for reprocessing in England. The Soviet vessel, the Khudozhinik Saryan, was returning to Montreal last night.

Sir Hugh said anxiety over the importation of PCBs was "understandable but groundless." A report by his committee last February said that high temperature incineration used for dangerous substances was "particularly effective for the destruction of PCBs."

His comments came after the Government refused to become embroiled in the row over whether ports should handle PCB cargoes.

Meanwhile, Rechem, a waste disposal company, was taking legal advice over a contract with Liverpool docks to take PCB consignments from Canada for disposal at its plant in Pontypool, Wales. The first of 15 shipments of the waste are due to dock next Wednesday.

The growing controversy over the handling of waste came as a water authority involved in building two new incinerators in north-east England said it would not handle toxic waste from overseas.

Northumbrian Water, which is planning the incinerators on Tyneside and Teesside, said there was no question of importing waste from abroad if planning permission for the two plants were given.

London Underground hit by unofficial strikes

By John Gapper, Labour Correspondent

LONDON Underground railway services were disrupted again yesterday by wildcat industrial action following the official settlement of the four-month-old pay dispute. Further unofficial disruption may be considered by drivers next week.

Although most trains ran following the settlement on Wednesday of the dispute – over pay for one-person operated trains – two lines were severely disrupted and others were partially affected.

Leaders of Aslef train drivers' union appealed for members to obey the union's instruction to return to work. Mr Derrick Fullick, Aslef general secretary-elect, emphasised that more money for drivers could be won through further negotiations.

The dispute, which began with outbreaks of unofficial action by drivers, was officially settled when London Underground and union leaders agreed to an increase in drivers' average weekly earnings of £16.73 to £333.

However, leaders of the earlier unofficial action accused union officials of backing down on the original demand for a £64-a-week increase.

A meeting is to be held in London on Monday which may consider further action.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT ANNUAL REVIEW

Fiscal strategy key to inflation war

By Peter Norman, Economics Correspondent

THE Government must tighten fiscal policy to strengthen its counter-inflation programme and reduce the country's large current account balance of payments deficit, according to the Organisation for Economic Co-operation and Development.

In its annual review of the British economy, the OECD warns that the current high interest rate policy may not be sufficient to tackle inflationary tensions and economic imbalances while maintaining confidence in the Government's policy and sterling.

"There clearly is a danger of over-burdening and over-stretching monetary policy," says the Paris-based think tank owned by the world's 24 leading industrial nations.

Although the Government has already accepted some tightening of fiscal policy over the past two years, the OECD recommends that "a more ambitious fiscal objective for a time would serve to bolster both financial market confidence and the credibility of the Government's stabilisation policy."

The group does not offer any precise fiscal policy solutions. But it says the Government's planned gradual move from a £14bn budget surplus in the current financial year to the end of March 1990 towards a balanced budget "might need to be more stretched out over time than has so far been envisaged." The latest version of the Government's medium-term financial strategy projects a decline in the surplus to £3bn by 1992-3.

The OECD also suggests that the Government study the impact of the tax system on savings and investment. Britain's large current account deficit has reflected a sharp rise in private investment and a steep fall in the personal savings ratio. If it emerges that fiscal and budgetary policy distort the balance of savings and investment "then fiscal reform is called for," the OECD says.

The good news in the report is that the OECD believes Britain may avoid a recession. It also says conditions seem favourable for the economy to return to a higher growth path over the medium-term after the present policy-induced slowdown.

The overheated UK economy could be heading for a "soft landing" with inflationary pressures subsiding slowly and the external deficit falling gently as a proportion of gross domestic product, it says.

But it points out that the recent spurt of inflation, which lifted the 12-month increase in the retail price index to 8.3 per cent in May, started from an underlying rate of nearly 5 per cent.

"With inflation in this sort of range it is more difficult to absorb shocks satisfactorily," it says. "The task of policy would therefore now appear to be not only to remove the excess demand of the last year or so, but to resume the earlier process of disinflation which has been marking time for several years. Seen in this light there will be good reason to err on the side of restraint in the future setting of policy."

Although the OECD's language is somewhat coded, it makes clear that it would like to see Mr Nigel Lawson, the Chancellor of the Exchequer, setting a much tougher counter-inflation policy in Britain on the principle that some pain now would avoid greater hurt later.

The group also believes that a large amount of uncertainty surrounds the extent and timing of the effects of monetary policy because of today's more liberal financial environment.

"The extent that policies have been tightened too much appears to be comparatively small," it says. "Any underestimation of the restraining effects of policy should be welcomed given the present outlook of a slow and uncertain adjustment process. The implication for policy would therefore seem to be greater if progress in reducing tensions and macro-imbalances is retarded or turns out to be more hesitant than projected, making a 'hard landing' of the economy a possibility."

The organisation predicts the growth of real gross domestic product will "decline significantly" to stabilise at just under 2 per cent in 1990 or about one percentage point below the estimated rate of growth of potential output.

The OECD expects that the growth of private consumption will slow to a seasonally-adjusted annual rate of 2.25 per cent in the second half of next year from 2.75 per cent in the present six-month period. It comments that moderation of consumer spending in Britain is "critical to the further course of the economy."

The OECD's short-term forecasts echo those published in its half-yearly Economic Outlook at the end of June. The only changes are a slight quickening in the growth of domestic demand and an estimate that imports of goods and services will rise by 6.75 per cent in 1989 compared with a previous 6.5 per cent.

However, the organisation says the risks surrounding the outlook are considerable. Although it has welcomed the "recent marked slow-down" in household spending, the report warns considerable uncertainty exists because of inadequate official statistics.

The retail price index, which in the OECD's view "greatly overstates the rise in inflation" by including mortgage interest payments, could add to a price-wage spiral, it warns.

The annual report also says the momentum of structural reform needs to be maintained at the same time as bringing inflation onto a downward course.

Britain has pursued supply-side policies with greater rigour and determination than most other major industrial countries but important weaknesses still remain, it says. For example:

- Relating many benefits to income continues to mean high marginal tax and benefit withdrawal rates for the small number of people caught in the poverty trap;
- Other benefits such as company cars continue to be relatively lightly taxed;
- Although significant progress has been made in dismantling quantitative import restraints in recent years, various import impediments remain. Britain has, for example, about 600 bilateral arrangements under the Multi-Fibre Agreement and industry-to-industry agreements to limit imports of cars and commercial vehicles from Japan;
- The same sense of a job only half done pervades the OECD's analysis of the Government's privatisation programme. In particular, the organisation criticises the way large corporations such as British Telecom and British Gas have been sold intact. "A shake-up of the structure of privatised industries would have strengthened forces of competition and facilitated regulation."

OECD Economic Surveys: United Kingdom. OECD Publications, 2 rue André Pascal, 75775 Paris Cedex 16. FFr50. Also to be available from HMSO.

BRITISH SHORT-TERM OUTLOOK
% change on previous period, seasonally adjusted

	Treasury 1989	OECD 1989	OECD 1990
Volumes (1985 prices)			
Private consumption	3½	3¼	2½
Government consumption	½	½	¾
Gross fixed investment	4½	5¾	3¼
Public	2	-4¼	2
Private	5	7¼	3½
Final domestic demand	3	3¼	2¼
Stockbuilding*	-½	0	-¼
Total domestic demand	2½	3¼	2
Exports	4½	3½	5
Imports	4½	6¾	4¾
Foreign balance*	-¼	-1½	-¼
GDP	2½	2¼	2
GDP deflator†	6½	6¾	5¾
GDP at current prices†	7¾	9¼	8
Real personal disposable income	–	3½	2¾
Personal saving ratio	3	4¼	4½
Consumer prices	5¼	5¾	5¼
Employment	–	1¼	0
Unemployment rate‡	–	7	7¾
Manufacturing production	3½	5	1¾
Current balance of payments§	-14½	-16¼	-16¾

*Change as a per cent of GDP in the previous period. †Financial year 1989-90. ‡Unadjusted claimant count. §£ billion

Source: OECD

Tory MPs attack Government over fast pace of health reform

By Michael Cassell, Political Correspondent

THE GOVERNMENT could jeopardise standards of patient care if it persists in adhering to an impossibly tight timetable to implement reforms within the National Health Service, according to a report published yesterday by the House of Commons social services committee.

Although the committee is dominated by Conservative MPs, the report included a minority statement by three of its six Tory members, who distanced themselves from some of the principal criticisms of the Government's plans.

The reforms – which propose to create an internal market within the NHS, linking general practitioners' budgets with the number of patients and the introduction of self-governing hospitals – were openly criticised by other Tory MPs, however. Their opposition underlines divisions within the party over the Government's handling of the issue.

The Tory differences were seized upon by Mr Robin Cook, Labour's health spokesman, who claimed the health reforms had now been condemned by every expert who had studied them. He challenged Mr Kenneth Clarke, the Health Secretary, to admit defeat and to take his plans "back to the drawing board."

The British Medical Association, which sets standards of practice for the medical profession, said the committee had exposed the Government's plans – which would irretrievably alter the NHS – as being flawed. The Government had to stop and consider whether to "streamroller" through reforms which were unacceptable to patients.

Many of the changes put forward in the policy document on NHS reform are not conclusively rejected by the committee. It reserves its main criticism for the Government's determination to drive through its proposals without first developing the framework necessary for their introduction.

The committee emphasises the need for a staged approach to the reforms. In calling for "experimentation and flexibility" it says that proposals for general practitioner (GP) budgets and for self-governing hospitals should be subject to pilot schemes. Hospitals should only opt out following local ballots.

According to the MPs, who describe as "commendable" plans to improve NHS resource management systems but who also point to significant gaps in the policy paper, there is insufficient information available to ascertain whether the Government's plans will work.

The committee concludes that the reforms cannot operate in the interests of patients without a proper system of costing and pricing.

The committee restates its fears over the implementation of an internal market in health care, although it stresses that one already exists in a limited form and should be built upon. It suggests that a pledge to increase NHS resources by about 2 per cent a year in real terms, beyond the cost of new information and managerial systems, would help convince people of its commitment to improving the NHS.

In their minority statement, Tory MPs Mrs Marion Roe, Mr Jerry Hayes and Miss Ann Widdecombe claim the committee's majority report is "severely flawed." They say the ballot proposal for self-governing hospitals is "unworkable."

They sympathise with concerns over the Government's timetable but emphasise that, as GP budgets and self-governing hospitals will initially be undertaken on a voluntary basis, they "will be pilot studies in all but name."

Lord Trafford, the Minister for Health, said the report demonstrated that the main differences over the reforms centred on the pace, rather than the direction, of change.

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Steel production rises despite fears of slow European market

By Nick Garnett

TOTAL OUTPUT from Britain's steel mills is continuing to rise marginally in comparison with last year, despite warnings that markets throughout Europe are beginning to soften.

Weekly output actually fell last month by 34,000 tonnes, partly because some steel plants were already starting holiday shutdowns, a factor which always reduces production at this time of year.

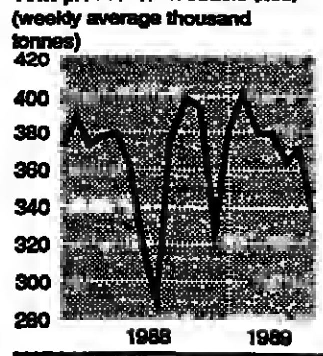
The provisional figure for last month, at 337,000 tonnes a week, was still 5 per cent up on production in July last year.

The exceptionally high growth in steel output which was registered last year compared with 1987 has come to an end, however. Rates of growth *overall have slowed* to a trickle.

Total output in the first seven months of this year averaged 373,300 tonnes a week – *1.5 per cent higher* than for the same period last year.

UK steel output

Total production of usable steel (weekly average thousand tonnes)



This compares with an increase of 8.8 per cent in the total tonnage of steel produced in the UK last year compared with 1987.

Output last year at 18.95m tonnes compared with 17.4m the previous year.

Last year's production was the highest since 1979 when steel mills produced 21.5m tonnes.

Just over three-quarters of steel produced in the UK is made by British Steel, the recently-privatised company which last year slightly raised its share of total output.

A regional breakdown of production shows that in the first half of this year compared with the same period last year, steel output in Wales, Teesside, and the south east increased.

At the same time in Yorkshire, Humberside and Scotland it declined marginally.

Final payment for Barlow Clowes UK fund investors

By Richard Waters

THE 7,320 investors in the UK arm of Barlow Clowes, the investment group that collapsed last year, will receive their final repayments from the group's liquidators in the next few days.

Depending on their particular circumstances, they will have received back between 63p and 106p for every £1 they originally invested.

The £18m being sent out this week is in addition to £16.6m paid to them at the start of this year.

The payments were approved by the High Court last month, after protracted legal argument about the relative rights of the different classes of investors in Barlow Clowes Gilt Managers. This was complicated by the different Barlow Clowes "products" in which people invested and the different accounts in which their money was held.

In all, 1,155 investors in the UK fund will get back more than 100p in the £1. This represents their initial investment plus interest earned since the liquidators sold BCGM's gilts portfolio last summer.

On the other hand, 6,165 will retrieve only 63p. These are people whose money was held in accounts maintained by Midland Bank.

They have received less because the liquidators of Barlow Clowes International, the group's off-shore arm, have successfully argued that £15.4m of BCGM money belongs to BCI's investors.

A further £2m, equivalent to 7p in the £1 for each investor, has been held back by the liquidators in case they decide to sue any of the Barlow Clowes advisers or bankers. However, a decision will not be made on this until court approval is sought in October. The liquidators' own fees, which have not yet been disclosed, will also come out of this.

The total payout of £34.6m represents an average of just under 70p in the £1 for each investor.

Mr Stephen Hook, of joint liquidators Cork Gully, said yesterday that he believed the payout had been agreed speedily, and that the liquidators had been aware of the urgency felt by the many elderly investors.

● A small proportion of the 10,000 investors in the off-shore arm of Barlow Clowes are due to receive back part of their money shortly.

The payment, which applies to the 2,000 people who invested their money between March 1 and May 27, 1988, the last months before the group went into liquidation, was also approved by the High Court last month.

Syndicates at Lloyd's may sue over losses

By David Waller

THE 1,614 names on two Lloyd's underwriting syndicates managed by RHM Outhwaite underwriting agencies are on the verge of launching a lawsuit to recover damages in respect of losses that have so far topped £300m but could eventually reach £1bn.

Mr David Lentaigne, secretary of the Outhwaite 1982 Names Association – a body representing names on the troubled syndicate 317/661 in 1982 – said it was likely that writs would be issued at the beginning of November, following on from a meeting of the association next month.

According to Mr Lentaigne the case for litigation is bolstered by Counsel's opinion, from Mr Anthony Boswood QC and Mr Michael Hart QC.

The essence of their advice is that the names have a strong chance of succeeding in a claim based on the contention that Mr Richard Outhwaite was negligent in the underwriting he did for the names.

Counsel argued in its written opinion that "in writing these policies as he did, Mr Outhwaite fell far below the standard of skill and competence reasonably to be expected of him in the conduct of the agency's affairs."

Members of the syndicates, who include sporting celebrities such as Virginia Wade and Tony Jacklin, have already been called to pay up £64m in total and have been told that total liability for the 1982 policies exceed £300m. Some 20 of the names – who pledge their entire personal wealth for the privilege of writing Lloyd's business – are facing bankruptcy already.

Given the nature of the policies taken on board by the 1982 syndicates – many of them covering claims against asbestosis, and a majority affording unlimited cover – there is a view at Lloyd's that the names could ultimately lose £1bn. The aim of the litigation will be to secure damages commensurate with the losses, actual and potential.

Counsel recommend that the names take no action against Lloyd's itself. For technical reasons the litigation will be directed against members' agents rather than Outhwaite itself. Names are advised that this implies no criticism of the members' agents' skill, judgement or integrity.

Likely Lads team join TV venture

By John Ridding

MR Dick Clement and Mr Ian La Frenais, the men who served up Porridge to television viewers and introduced The Likely Lads, are setting up a production company with SelecTV, the former cable television operator.

The formation of the company, called Clement La Frenais Productions, will give SelecTV exclusive rights to programmes created by the two-man team for the UK market for a minimum of two years.

It is believed to be the one of the first deals of its kind.

However, the rights to the duo's previous successes, which include Auf Wiedersehen Pet, To Russia With Elton, and Billy, are to remain with the various ITV contractors and are not included in the deal.

Mr Clement and Mr Ian La Frenais, who have worked together for 21 years, will receive an undisclosed cash sum and a share in the new company's revenues.

According to Mr Allan McKeown, in charge of production at SelecTV, the company will complement Witzend and Alomo, the group's television production companies.

DSS faces duplicate pension applications

By Eric Short, Pensions Correspondent

SOME 60,000 people have submitted more than one application for personal pensions to contract out of the State Earnings-Related Pension Scheme (Serps), in spite of the ruling that only one personal pension contract can be used in a tax year to contract out of Serps.

The Department of Social Security yesterday confirmed that it was having problems with duplicate applications, although the numbers so far amounted to about 1 per cent of all applications.

Employees using personal pensions to contract out of Serps receive a 2 per cent additional incentive payment from the Government.

This payment was a big factor in life assurance salesmen persuading employees to take personal pensions and resulted in the sales boom in the final weeks of the 1988-89 tax year when more than 1m contracts were sold.

Some employees have submitted more than one application, either because of ignorance or because they were trying to obtain more than one incentive payment.

The situation is made more confusing because employees can have as many personal pensions as they like if they are not used to contract out of Serps.

If the DSS is dealing with duplicate applications where neither application has been processed, then the employee is contacted and asked to clarify his or her intentions.

However, if one of the applications has been processed, then further applications are returned to the life company involved explaining the position.

The DSS confirmed that there is no question of any legal proceedings.

The department also rejects claims by Blick Rothenberg, the London firm of chartered accountants, that the DSS was getting the amount of rebate for the year 1987-88 significantly wrong and in most cases paying too little too late.

The department was completely satisfied that its methods of calculation were correct. If the wrong figure was being calculated, it was because the department had been given incorrect information by the employer or employers involved.

However, the department admitted that problems could arise when employees changed jobs during a particular tax year.

When the toxic boat comes in

John Hunt on waste disposal that has become a burning issue

THE CURRENT furore over the importation of hazardous waste into Britain is very different to the affair of the Karin B last year when she tried to dock at the UK bearing a mixed cargo of leaky containers holding toxic substances.

On this occasion the Soviet ship bringing polychlorinated biphenyls (PCBs) to Tilbury from Canada had completed the necessary documentation. The materials, which have been shown to cause cancer and nervous illness, were all approved and correctly packaged and destined for Grosvenor Power Services in Manchester.

The same is true of the vessels that are on their way to Liverpool from Montreal carrying the first consignments of a total of 1,500 tonnes of PCBs destined for incineration at the Rechem plant at Pontypool.

However, the managements of Tilbury and Liverpool docks, which have handled properly controlled hazardous materials before, now say that such consignments will not be allowed entry in future. The decisions were taken amid the massive media publicity generated as a result of the campaign by the environmental group Greenpeace.

As a result the waste disposal industry is in conflict with the two ports and the environmentalists.

Yesterday the Government was tactfully trying to avoid involvement in the arguement, while restating the right of waste disposal contractors to bring in toxic materials under proper control.

Environmental fears: the ill-fated Karin B

The waste disposal industry says the materials are sent because Britain has high technology incineration. Canada has an incinerator in Alberta but PCBs have to go on a waiting list for disposal.

In addition to Rechem, which has a second incinerator at Fawley, near Southampton, such materials can be dealt with by Cleanaway, the big waste disposal company, which has an incinerator at Ellesmere Port, Cheshire, and is in the process of replacing it at a cost of £18m.

These companies got in on the ground floor and built their incinerator plants about 15 years ago. As a result they have reaped big profits.

Some companies in other countries have found it difficult to follow suit though, because of strong opposition from environmentalists.

Imports into Britain of hazardous wastes – or special wastes as they are officially described – have risen steeply. In 1981 3,800 tonnes were imported. By 1983 this had risen to 14,800 tonnes, and last year it was 80,000 tonnes. But these figures are dwarfed by the domestic hazardous waste which is destroyed in the UK – 4.5m tonnes in 1987 and 3.7m tonnes last year.

Cleanaway, for instance, incinerated 10,460 tonnes of hazardous waste in the first six months of the year. These included 239 tonnes of PCBs and of these 38 tonnes were imported and 201 tonnes were from the UK.

The accusation from the green movement is that Britain is being made the "dustbin" of the world and that the materials come here because it is the cheap option.

But Mrs Virginia Bottomley, Environment Under Secretary, said yesterday that France imports more hazardous waste than Britain. West Germany, it is claimed, solves its problems by exporting such materials to East Germany where environmental regulations have been lax.

The industry argues that if these toxic materials do not come to Britain then they could well be disposed of in ill-equipped Third World countries which cannot deal with them safely.

The Commons Environment Committee in a recent report said that many of the countries which were most critical of British practices exported large quantities of toxic waste to countries where disposal standards were very low.

Mr David Boyd of the National Association of Waste Disposal Contractors told the committee: "West Germany is currently exporting some 5m tonnes of waste every year. I do not think it is very environmentally conscious when you shove your problem somewhere else."

Mr Stanley Clinton Davis, former European Commissioner for the Environment, who has been very critical of Britain's environmental standards, said that incineration in the UK compared with the best in Europe.

A dangerous servant for several decades

By David Fishlock, Science Editor

PCBs (polychlorinated biphenyls) served as efficient electrical insulators and heat-transfer fluids in domestic and industrial equipment for several decades, until manufacture was banned by the US Government in 1979.

Many other countries subsequently banned them as a potential hazard should they leak or be released into the air in a fire. There is evidence PCBs cause cancer and nervous illnesses.

Initially the US Environmental Protection Agency permitted such equipment as transformers and capacitors filled with PCBs to continue in service until they were worn out.

But in 1985 the EPA ordered all PCBs in transformers in or near buildings to be replaced by less toxic fluids, such as mineral oil, by 1990.

The US electricity industry estimated it had 200m lbs of PCBs in its equipment at the time, 80 per cent of which was in transformers and capacitors. Some transformers were as big as a sitting room.

The greatest potential hazard arises from fire. PCBs do not burn easily – they were valued as robust insulators – and they may partly decompose in a fire to form chemicals more toxic than PCBs themselves, such as polychlorinated dibenzofurans (PCDFs).

Soot deposits associated with electrical fires and explosions involving PCBs have been found to contain traces of toxic substances such as PCDFs.

PCBs can be completely destroyed if the fire is fierce enough, certainly at 1,000 degrees centigrade or more, providing efficient disposal.

But public fears have been aroused by the possibility of partly-burned PCBs escaping from the incinerator to pollute the surrounding area.

Operators of sealed incinerators designed for such toxic organic wastes deny there is any such risk. They say even radioactive wastes such as contaminated clothing and plastics can be treated safely like this.

Alternative ways of disposing of PCBs have been explored, including an arc pyrolysis system for burning not just the fluids but an entire piece of electrical equipment such as a capacitor contaminated with PCB.

Another possibility is to biodegrade the PCBs by using micro-organisms to decompose them to simpler, non-toxic substances. This may require genetic engineering to produce an efficient biotechnology for the purpose.

BANK OF ENGLAND QUARTERLY BULLETIN

Mutilated ladies unveiled

By Ralph Atkins, Economics Staff

THE "mutilated ladies" of Threadneedle Street - responsible for honouring mangled and abused notes of the realm - stepped out of the shadows yesterday.

For the first time since 1963, the Bank of England devoted a special article in its quarterly bulletin to the team that deals with 27,000 claims a year for disfigured, digested or partly destroyed Bank notes.

It features bizarre stories of notes eaten by camels and ferrets, cooked in microwave ovens or lodged in washing machines. Some tales, it says, "are so strange that they seem unlikely to have been invented."

Since the early 1970s, the Bank reveals, the department's staff has shrunk from 80 to just six, who call themselves the "mutilated ladies." Since 1975, when the office moved to Newcastle, they have been ladies of Threadneedle Street only in spirit.

One reason for the decline has been the abolition of the 10 shilling and £1 notes. Nevertheless, in the dusty language of Bank bulletins: "The propensity of the public (and, in some cases today, machines) to do strange things to bank notes remains undiminished."

Bank policy is to pay the value of notes either in full or not at all. Judgement is based either on predetermined criteria or a judicial assessment of merit.

In some other countries, it observes sniffily, "mutilated notes presented for payment are paid only in proportion to the areas of the remains submitted."

The mutilated ladies are skilled in examining heaps of charred and shredded notes. Fragments of metallised thread, which sometimes survive the surrounding paper, can give clues but "a thin strip of blackened metallised material is not in itself evidence of a destroyed note."

Sometimes the work turns gruesome. "Special care needs to be taken when dealing with notes contaminated by body fluids and noxious substances . . . They should of course never be sent through the post."

Fire and water are probably the most common cause of damage. Some notes have been laundered - literally.

"It is as true today as in 1963 that some of the products of detergent manufacturers could claim, among their other characteristics, the ability to reduce a bank note to a white sheet of paper," the Bank says.

Where two people present different parts of the same note, each is informed of the address of the other and the fragments stamped "valueless without other portion."

If notes are damaged beyond recognition - maybe reduced to ash - staff at the Bank's printing works are called in for a scientific analysis. No payment is made when there are no identifiable remains.

Interest rates to stay high for 'a long time to come'

By Peter Norman, Economics Correspondent

THE MESSAGE in the latest Bank of England quarterly bulletin is that short-term interest rates will be staying high for a considerable time to come.

With the benefit of hindsight the Bank has concluded that the economy was growing more rapidly and with greater inflationary pressure than was thought when monetary policy was first tightened last summer.

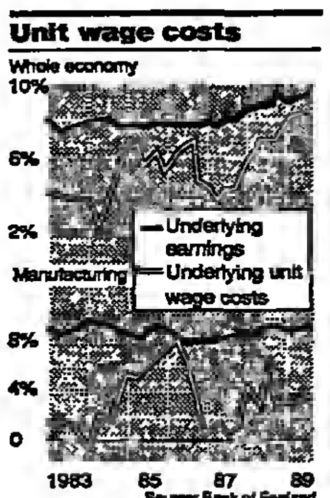
The Bank's view is that the near doubling of bank base rates over the past year is dampening demand and that inflation, as measured by the retail price index which includes mortgage interest rates, has probably peaked. However, evidence that the economy is responding to the tightening is "by no means yet complete."

But there is some good news. According to the Bank domestic demand grew hardly at all in the first quarter while in 1988 it grew at an average quarterly rate of nearly 2 per cent. House prices have stopped rising in Britain as a whole and in the south-east they have begun to fall. Consumer spending has declined, particularly in the durable goods sector.

Reflecting the housing slow-down, quarterly spending on consumer durables is running almost 5 per cent below the peak reached in the third quarter of last year. Real personal disposable income increased by only 0.5 per cent in the first three months of the year, compared with a 4 per cent rise in the fourth quarter of last year.

The Bank says investment in the first quarter was "surprisingly flat." The growth of company investment is also likely to slow from next year as companies adjust to narrower profit margins and their shift into overall financial deficit in 1988 and 1989.

The picture of the balance between demand and output is less clear cut. None-the-less, the Bank says that external trade statistics suggest that domestic demand is growing more slowly than output, particularly after the effects of recent production problems in the North Sea are taken into account. This implies a further gradual improvement in Britain's current account and visible trade balances after a decline in the visible deficit to £11.7bn in the first half of 1989 from £12bn in the second half of last year.



The problem is that this slower growth has not yet had any marked effect on the labour market. There are some signs that labour market conditions may be easing with a modest slow-down in the rate at which unemployment has fallen in recent months. Despite a pick-up in the growth of underlying earnings in manufacturing to a 9.25 per cent annual rate in May from 9 per cent previously, the Bank judges that earnings growth in the economy as a whole was stable for most of the first half of this year.

But wage settlements are continuing to rise, especially in areas where agreements have been running at around the rate of retail price inflation. Wage pressures following the acceleration of prices have played a major part in triggering recent industrial unrest. Wage settlements have also failed to reflect the differing levels of productivity gains in the manufacturing and the services sectors, the Bank concludes.

In manufacturing a 6 per cent growth in output per head has limited the growth in unit wage costs to around 3 per cent per year. In the private services sector, however, unit wage costs may be rising by 8.5 per cent a year as output growth has weakened, employment has continued to rise and earnings grow strongly.

The private services sector is emerging as an Achilles' heel of the British economy with the Bank holding it responsible for much of the acceleration of retail prices, excluding mortgages, to the current level of around 6 per cent from 4.5 per cent over the past year. By contrast manufacturers, because of their better productivity, have brought the annual rate of increase in their output prices down to less than 5 per cent.

The Bank warns that if retail price inflation is to fall from June's 8.3 per cent level to the 2.5 per cent rate envisaged by the Government in its medium term planning, unit labour costs will have to either fall or grow very slowly in sectors like manufacturing, where productivity grows quickly.

That has been the experience of low inflation countries like West Germany which are Britain's most successful competitors.

The Bank believes that slower economic growth should cause underlying inflation to fall gradually. But there are risks. On the one hand, the bank fears that confidence could crack, generating a large cut-back in spending by the private sector that would produce a faster reduction in inflation and the current account deficit but at the cost of much lower output and employment.

Another risk centres on sterling, where a significant fall in the exchange rate, such as happened in May, could jeopardise the counter inflation strategy. In May the Bank responded by raising bank base rates by one percentage point to 14 per cent.

And because of the risk to sterling, the Bank says that short-term interest rates, although already high in real terms, "might have to stay high longer than had been hoped."

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Third World export markets 'will slow'

By Ralph Atkins

GROWTH IN the export markets of developing countries will slow sharply in the early 1990s, according to an article in the Bank of England bulletin.

Slower demand in Europe and North America will help trim overall export market growth of 27 selected developing economies. The figures could fall from 11 per cent in 1988 to 5 per cent in 1992, the Bank predicts.

The worst affected countries will be those dependent on European markets. These include highly-indebted, middle-income Latin American countries.

Relatively rapid economic growth in Japan and newly industrialised economies such as Hong Kong and South Korea will, however, favour Asian developing countries.

In contrast, the Bank says scope for developing countries to increase imports is "generally encouraging."

Factors which will allow imports to rise include increased lending by the World Bank and commercial banks. Net direct investment into developing countries is also forecast to remain high.

The Bank says the deterioration in economic prospects outside developing countries will contribute to a further widening of the group's current account deficit. Overall, the imbalance is expected to reach in peak in 1990 before narrowing.

However, more than half of the forecast increase in the overall current account deficit of the group between 1988 and 1990 is accounted for by only three countries – China, India and Argentina.

The forecast deterioration in the total current account deficit may have been underestimated, the Bank of England warns.

This is because it assumes further gains in competitiveness and adjustment within the economies. These could be threatened by domestic unrest, of the type just witnessed in China, or by changes in governments.

Tangled tale of Nissan has UK motor industry mesmerised

Kevin Done examines the mechanics of the country's biggest retail motor group

THE RADICAL behind-the-scenes restructuring of Nissan UK, the biggest retail motor gronp in the UK, and the emergence of Union Bank of Switzerland as the majority shareholder in the company's dealership operations, are the latest surprise twists in a saga that bas mesmerised tbe UK motor industry.

More Nissan cars are sold in the UK than all other Jepanese makes combined. Nissan captured 6.4 per cent of the British car market in the first half of 1989 and the share is rising rapidly as output of UK-built cars grows from Nissan Motor of Japan's assembly plant in Sunderland.

The company responsible for carving out this considerable slice of the UK new car market is not, bowever, owned by Nissan of Japan.

It is the fruit of the labours of Nissan UK, a privately-owned company led by Mr Octav Botnar, a publicity-shy entrepreneur who took on the franchise for importing and distributing Nissan vehicles – then sold under the Datsun name – in the UK in 1970.

At the time Japanese cars were more a subject of easy jokes, rather than competitors to be respected and feared.

Mr Botnar, now 75, is a *short, stocky man with a round* smiling face, but a reputation in the industry for ruthlessness and arrogance.

He abhors personal pubicity, *although he is ready to talk* about the company, if not its ultimate ownership.

A West German national – according to Nissan UK's *annual returns filed* at Companies House – Mr Botnar arrived in Britain in 1967 from the motor business in West Germany, to reorganise the UK concession of *NSU*.

When NSU and Audi were merged in Germany, Mr Botnar handled both UK franchises until the Thomas Tilling Group, which already had the concession for Volkswagen, NSU-Audi's parent company, took them over.

Mr Botnar, with a couple of colleagues from *NSU* including his right hand man Mr Michael Hunt, took on instead tbe franchise for Datsun, a relatively unknown make in the UK.

The franchise has made Mr Botnar into one of the most powerful figures in the UK motor industry and it has made Mr Hunt into a multi-millionaire.

From sales of less than 8,000 in 1970 Mr Botnar built Nissan registrations to more than 68,000 a year in the second half of the 1970s when Japanese car imports were hit by the "gentlemen's agreement" between the UK and Japanese motor industries. This effectively limited the Japanese share of the UK market to 11 per cent.

Mr Botnar and Nissan UK's success – Britain is by far Nissan's most important European market – played an important role in Nissan Motor of Japan's momentous decision to set up its first European assembly plant in the UK.

Sunderland prodnction began in 1986 and the Nissan dealer network in the UK is expanding again to cope with the extra volumes.

By last year the Nissan marque had climbed to fifth place in the UK new car market, ironically leap-frogging the Volkswagen group in the process.

Datsun/Nissan UK has sold more than 1.5m vehicles since it started in the late 1960s.

The Nissan UK Group, as the exclusive *Nissan importer/distributor, is facing* the task of gearing up to sell around 100,000 additional units a year in 1992-93 – in effect doubling *sales in 10 years.*

According to Mr Botnar the company is aiming to increase car sales this year to 150-160,000 from 134,724 in 1988.

Seeing little chance *of* independent dealers expanding fast enough or having sufficient financial resources to cope with this rising wave of output, *Mr Botnar has poured* Nissan UK's own resources into the task.

Under the name AFG (Automotive and Financial Group) *Nissan UK has invested* more than £250m in new dealerships, as well as offering financial support to new operators in a dealer development scheme.

At the beginning of the year AFG, Nissan UK's retail company, owned 171 Nissan outlets, which Mr Botnar was expecting to account for more than 50 per cent of all 1989 Nissan UK car sales.

No other car importer/distributor in the UK has such a far-reaching ownership control of its retail car network.

In January this year there were 414 Nissan car outlets, of which 109 were independent dealer outlets, 82 were small independents, 35 were development dealers, which Nissan UK was helping to finance, and 17 were *associates belonging to* Nissan UK directors or former directors. There are now 182 AFG outlets.

Backing this operation is *Nissan Finance UK operating* in dealer and customer finance with total receivables of £900m.

While it is possible to track the *business success of Nissan* UK, unravelling the ownership web is a far more complex task.

It rapidly runs into brick walls *in Panama,* Switzerland and Liechtenstein.

The picture has been further complicated by quiet manoeuvres of recent months in which *Mr Botnar has masterminded* the splitting up of the old holding company Nissan UK.

Two new companies have been formed, Nissan UK Holdings (NUKH) and Automotive Financial Group Holdings (AFGH).

Mr Botnar, now chairman of both of these companies, has separated the Nissan concession for the wholesale distribution of vehicles, spare parts and forklift trucks (NUKH) from the retail, finance and transport businesses (AFGH).

NUKH owns the entire share capital of both Nissan UK (which holds the Nissan vehicle franchise) and Nissan Plant and Machinery, the forklift truck distributor.

AFGH has been formed as a separate *holding* company for the retail, finance and transport operations and owns the entire share capital of Automotive and Financial Group AFG (the dealerships), Nissan Finance UK (finance), and Car Removal (vehicle transport).

Prior to the reorganisation Nissan UK, the previous master company owning both the Nissan importer/distributor franchise and the dealerships, was owned:

- 71.52 per cent by Panama-registered European Motor Vehicles Corporation.
- 10.63 per cent by Mr Michael Hunt, a director of both NUKH and AFGH.
- 10.40 per cent by Nustad (Holding) AG, a private Swiss company.
- 4.51 per cent by the Camelia Botnar Foundation, named after Mr Botnar's daughter.
- 2.94 per cent by the M.J.Hunt Family Settlement through the Liechtenstein-registered Protec Trust Management Establishment.

According to Nissan UK this is still the ownership of NUKH. In AFGH, however, Union Bank of Switzerland has taken over from the European Motor Vehicle Corporation as the majority shareholder.

Mr Anthony Fraser, recently appointed external affairs director of Nissan UK, says that AFGH now comprises around 70 per cent of the previous Nissan UK assets, *including the dealerships, the dealer* and customer finance business, and the vehicle transport business.

Mr Botnar is a major donor to charities. Nissan Group donations to charities totalled £2.1m last year in addition to £2.25m paid to a charity as dividend. He is also reputedly one of the richest individuals in the UK. Recently a Sunday Times Magazine survey declared him the ninth richest person in the country worth £1bn, based on his holdings in Nissan UK.

Mr Fraser insists, however, that Mr Botnar has not held any shares in Nissan UK for 15 years, when he settled his shares in favour of charities following the death of his only child in a road accident.

The Camelia Botnar Foundation previously owned 4.51 per cent of Nissan UK and now owns the same percentage of NUKH and AFGH. Mr Fraser insists that the rest of Mr Botnar's previous shares are now held "by an overseas charity or charities which hold them through European Motor Vehicles".

Mr Fraser says that Mr Botnar has no interest in EMV, has no shares in AFGH, and has no interest in Union Bank of Switzerland (Luxembourg).

The mystery about the ultimate ownership and control of both NUKH and AFGH remains, however, and the *choice* of Panama and Switzerland for the placement of ultimate ownership is hardly designed to illuminate.

Nissan UK refuses to reveal:

- Which are the overseas charities behind Panama-registered EMV. What are the charitable works they exist for, and who controls them. (It does reveal, *however,* that recent donations have included £8m to the Great Ormond Street Children's Hospital Appeal, £1m to the Royal Ballet training school and £20m to the Camelia Botnar Foundation.)
- Who decided that these charities should dispose of their major asset, namely a majority *stake* in AFGH, the Nissan dealerships.
- What control role has been assigned to Union Bank of Switzerland (UBS) along with *its 71.52 per cent stake in* AFGH.

Nissan UK said that all questions about Panama-registered EMV should be referred to its representative on the *NUKH* board, Mr Manfred Weder.

The Companies House register shows that Mr Weder is a Swiss solicitor. Speaking from his home in Thal, Switzerland, Mr Weder said: "I give no interviews out of principle. I have never done this. I have nothing to say," and slammed the phone down.

For UBS an official insisted that its recently acquired AFGH shareholding was an investment made by the bank on its own behalf and was not a nominee holding.

"This is bank internal business. This is very difficult and has to be handled very carefully. *We do not* talk about our plans." It is clear, however, that UBS along with being the majority owner of the largest UK retail motor group – in a market where financing is becoming a major sales tool – is now also the majority shareholder in one of the top ten UK finance companies in the shape of *Nissan Finance UK.*

While Nissan UK says that Mr Botnar has settled his shares on charities, presumably taking him out of the stakes long ago as one of the richest men in Britain, Mr Michael Hunt, deputy chairman and assistant managing director of Nissan UK and a director of both NUKH and AFGH, has maintained his interests, both directly and through his Liechtenstein-registered Family Settlement.

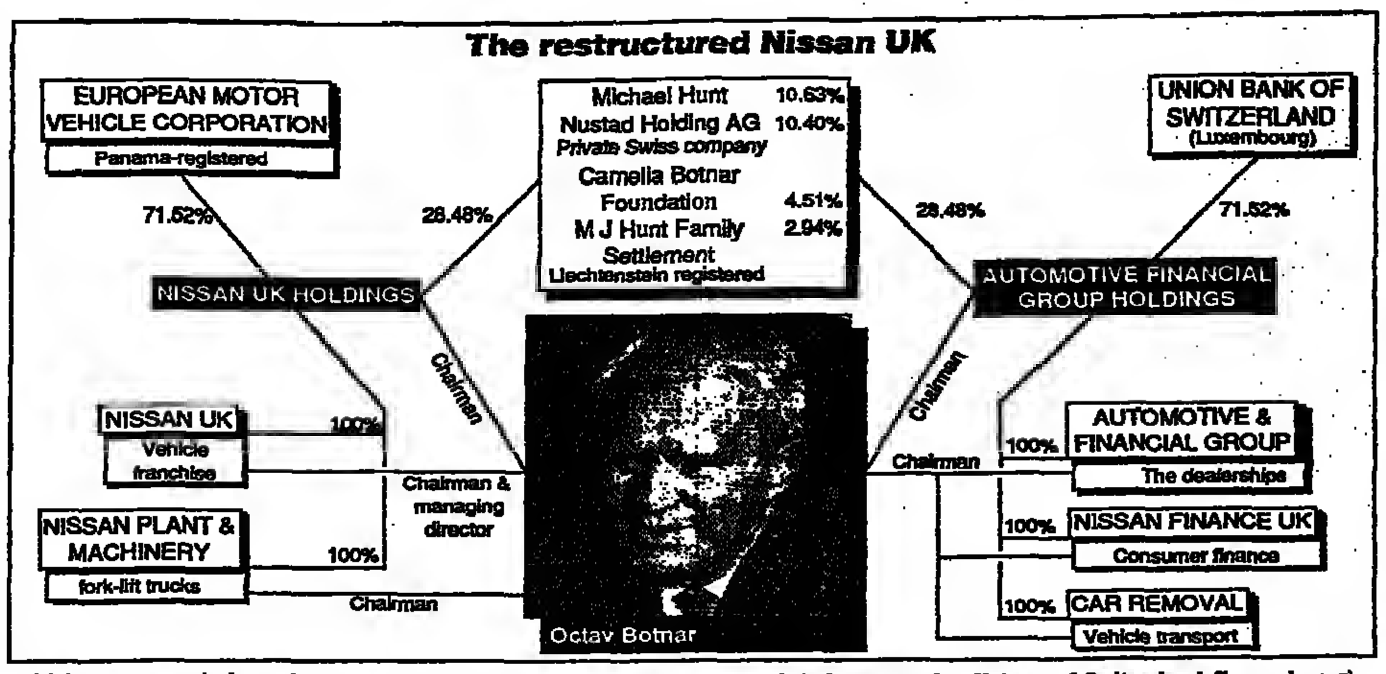
These holdings earned dividends last year alone of £6.1m.

As NUK chairman Mr Botnar was paid a salary of £175,000, up from £140,000 in 1987.

Further blurring the picture for the future it appears that the splitting of the Nissan UK assets will mean that the group no longer has to prepare consolidated accounts. *In the latest* Nissan UK annual report the dealership assets have already been subtracted, and the company says that as a subsidiary of NUKH it is no longer preparing group accounts.

The Nissan UK annual report maintains that these new companies (NUKH and AFGH) "now operate entirely independently of each other."

At the same time, however, it admits, that Mr Botnar is chairman of all the companies, both the holding companies and the operating subsidiaries; that Mr Hunt is another principal director of both holding companies; and that the two holding companies share the same company secretary, Mr Peter Hirsch, as *do* NUK and AFG, the main operating subsidiaries of these two separate holding companies.



Octav Botnar

Big role for Shorts in Canadian jet project

By Our Belfast Correspondent

SHORT BROTHERS, the Belfast aircraft and missiles company, is to play a leading role in developing Canadair's new 50-seat regional jet airliner, it was announced yesterday.

Canadair is the aircraft subsidiary of Bombardier, the Canadian group which is acquiring Short Brothers later this year.

The Belfast company will design, build tooling and manufacture important structural components for the jet. The initial order is thought to be worth about £50m.

It will make the centre section fuselage, the fore and aft fuselage extension plugs, the wing flaps, ailerons, spollerons, and inboard spoilers.

Under the agreement the initial batch of 50 sets are due for delivery to Canadair's assembly plant in Montreal by July 1990.

Mr Robert Wohl, president of Canadair's newly formed regional jet division, stressed the need for Short Brothers' capability and long experience in the design and manufacture of complex air frame structures.

Mr Wohl said: "World capacity in the aircraft industry is currently outstripped by huge demand. Wa are most fortunate to have the full resources of our new partner on our side. We predict a demand of 400-500 regional jets in the next decade and teaming with Shorts will help us to meet that demand."

Mr Roy McNulty, Shorts managing director, underlined the necessity of finding qualified manufacturing partners when bringing new aircraft to markets.

He said the company was extremely pleased to be working in partnership with Canadair to build a new aircraft which would ensure continuity of design and production in its manufacturing and aircraft division.

Shorts scrapped its own FJX regional jet project when the Bombardier takeover was announced. However, Mr McNulty said work on the new Canadair jet would match the volumes of work anticipated for FJX and would be available much sooner. Design work has already started.

The Canadair jet was formally launched in March with the first flight scheduled in the spring of 1991. Certification is expected in the spring of the following year.

To date 116 regional jets have been ordered by eight airlines in seven countries.

Airlines already committed include Air Nove of Canada, Alisarde of Italy, Ansett Worldwide Aviation Services Australia, British Airways UK, DLT of West Germany, and Sky West of the US.

The acquisition of Short Brothers, which has been approved by the European Commission, will give Bombardier annual sales of abont £2bn, of which some two thirds would be exports.

Profit expectations fall sharply

By **Peter Norman**, *Economics Correspondent*

A SHARP worsening of business expectations in Britain has been largely offset by *increased confidence* elsewhere in Europe, according to Dun & Bradstreet, the US business information group.

The group's latest quarterly business opinion survey involved interviews with nearly 10,000 executives in 10 countries. It found a sharp drop in the number of British businessmen expecting increased sales and profits in the current quarter compared with the same period of last year.

Notably in West Germany the number of husinessmen expecting higher profits and *sales increased.*

On the strength of its latest survey, which was carried out in June, Dun & Bradstreet said its index of British sales optimism has fallen to 51 from 70 a year and a half ago. In West Germany, by contrast, the sales optimism index has risen to 60 from 34 over the same period.

For Europe as a whole, Dun & Bradstreet said, its sales optimism index dropped 4 points to 57 for the latest quarter from 61 three months ago. The sales optimism index for North America fell to 63 from 68.

In spite of signs of weakness in Britain and North America global business expectations have remained stable, according to Mr Joseph Dimcan, Dun & Bradstreet's chief economist.

He said: "On a combined overall basis, worldwide expectations for increased sales and profits remain fundamentally strong," and lent support to a "soft-landing" scenario for the world economy.

Oil flows from N Sea fields

THE NORTH Sea's newest oilfields yesterday entered production, sending oil down a 120-mile pipeline to the Orkney islands.

The Rob Roy and Ivanhoe fields, operated by Amerada Hess 90 miles north-east of Aherdeen, will supply the Flotta terminal operated hy Occidental, the oil group.

Flotta, which reopened in January after a six-month shntdown following the Piper Alpha disaster, will initially handle 150,000 barrels a day. Production should rise to 230,000 barrels by the end of the year.

History teaching changes urged

By Joel Kibazo

BRITISH schoolchildren should spend more than 50 per cent of their classroom history time learning British history, Mr John MacGregor, Education Secretary, said yesterday.

Mr MacGregor's comments came in a forward to the interim report from the National Curriculum History working group, the body set up hy the Secretary of State to advise him on attainment targets and programmes of study for history for 5 to 16-year-olds, published yesterday.

The working party proposed a core programme with British history at its centre, but which included European and world history.

The report proposed that schools should develop and design options themselves, drawing on their individual expertise and on their local history.

However, Mr MacGregor is unhappy that, under those plans, less than 50 per cent of classroom history time would be spent on British History.

"I should like the group to increase this proportion by developing additional core units devoted to British History," he said.

The history working party said its programme was based on a "broadly, but not inflexible, chronological approach in each key stage."

Mr MacGregor agreed that chronology was necessary for the stndy of history but suggested the group should give clear recommendations on a chronological framework for history lessons.

National Curriculum History Working Group, Department of Education and Science, Mowden Hall, Staindrop Road, Darlington, Co Durham DL3 9BG.

MANAGEMENT

A rara avis flying round Europe

Truly international managers are few and far between. Mauro Marcucci, chief executive of ComputerLand Europe and a classic example of the breed, tells Michael Skapinker of his jet-setting life

A recent search for the Euro-executive suggested that these rare beasts were likely to come from the Netherlands, Belgium or Scandinavia.

The study*, by headhunters Saxton Bampfylde, did not mention Italy as a likely source of international managers. Manro Marcucci, however, would surely satisfy anyone's definition of a Euro-executive.

A graduate of the University of Pisa, he lives in Wimbledon, has an English wife, and is chief executive of ComputerLand Europe, a computer franchising company with its headquarters in Luxemhourg. Before joining ComputerLand in 1987, he spent 17 years with IBM, working for the company in Genoa, Milan and Paris, as well as in Austin, Texas, and Brentwood, Essex. In the late 1960s he worked for Rank Xerox in Florence.

The Saxton Bampfylde study said that there were very few genuine Euro-executives – people who could operate with equal confidence wherever they were in Europe. One of the obstacles to hecoming a Euro-executive was the punishing travelling schedule of a modern international manager.

A typical week for Marcucci, 50, would find him spending Monday in London. On Tuesday morning he might leave for Italy, returning to the UK on Wednesday night. Thursday would find him in Luxembourg and Friday in Paris. He estimates that he spends 65 per cent of his time travelling to Luxembourg and to the company's 128 computer stores across Europe.

We do not know what his wife and three children think of this, but Marcucci insists that his family has benefited from his international career. His two daughters, aged 21 and 19, are trilingual. (His son, who is 10, has not lived in quite as many places as his sisters.)

"*The girls never isolated* themselves when they lived in different countries. In the States, they went to a local school. It was the same in Paris. It broadened their minds," he says. Both are now students in the UK. One is at business school. The other is about to start art college.

INSIDE EDGE

Marcucci says, however, that it was fortunate that most of the family's moves coincided with changes in the daughters' lives. "We made our first move when they had just started school. When we went back to Italy it was just at the time they were starting secondary school. That was not deliberate. *It was luck. It just* happened. I can't say there were no problems. I just think there were many more pluses than minuses," he says.

An executive at Shell UK recently told researchers from Ashridge Management College** that the number of managers prepared to subject their families to a life of constant movement was getting smaller. But Marcucci does not think that managers have changed that much over the years.

"Moving people around has always been a prohlem," he says. "Today, however, companies need to move people around much more, so the problem is now higger. But the nature of the problem is the same."

The second change, Marcucci says, is that many more women work today. When managers move to other countries, their spouses' careers are also likely to be disrupted. Companies which transfer managers abroad should try to find jobs for the spouses too, he says.

Companies should also try to give managers international experience when their families are younger. "When your children are young, it's easier to move. It's easier for them to learn languages. As they get older, they are less willing to make changes. Children develop relationships that they become much more reluctant to break. Taking a young kid out of school is easier than taking a teenager out of school."

Apart from a readiness to uproot their families, the Saxton Bampfylde study stressed the languages skills that managers would need to operate throughout Europe. Marcucci speaks Italian, English and adequate French. In Spain, he says, he gets by in Italian. He does not speak German, which he regards as a drawback. A young manager who wants to be effective in the single European market should master English, French, German and Spanish, he says.

The study said it was a good idea for Euro-executives to spend some time working for a multinational company – provided they didn't stay too long and become immured in the corporate bureaucracy.

Mauro Marcucci: companies which transfer managers abroad should try to find jobs for their spouses

Marcucci thinks, however, that a multinational company is not necessarily the best starting point for a Euro-executive. "I would say that it is more important for them to be working in an international environment than to be working for a large multinational company. You can be in a multinational company and still be working in a national part of the husiness. It might be better to go and work for a small or medium-size company with an international outlook," he says.

Marcucci spent 17 years with IBM. By the Saxton Bampfylde measure that is probably too long for a Euro-executive, who needs to retain a flexible and entrepreneurial outlook. "You don't leave a company like IBM without giving it a good deal of thought," he says. "But they don't keep everyone for life. I saw opportunities in ComputerLand that I didn't want to miss."

Although IBM is reputed to have a uniform international culture, Marcucci says that when he worked for the company in Texas in the 1970s he realised there were differences between US and European executives. An American IBM employee is more closely tied to the company than his counterpart in Italy, for example. "An Italian IBMer is more of an individual than an IBMer in the States," Marcucci says.

**The Search for the Euro-Executive. Saxton Bampfylde International, 35 Old Queen Street, London SW1. £49.*

***Shaping the Corporate Future, by Kevin Barham and Clive Rassom. Unwin Hymon. £12.95.*

The ups and downs of diversifying away from the core

Kenneth Gooding explains how a French study assessed the success rate of changes of direction among natural resources companies

Companies which have a very clear idea about their own skills and strengths – they know their *métier* in other words – are much more likely to succeed with diversification moves, according to a study by l'Ecole des Mines de Paris, one of the exclusive group of French Grandes Ecoles.

Companies which move into areas totally unrelated to their existing operations are the least likely to succeed with diversification attempts, it says.

That might be a familiar story but one of the significant aspects of this study was the way success or failure was measured.

L'Ecole studied the main diversification moves of 13 major metals and minerals companies during the past 20 years – "diversification" meaning developments which led to the marketing of new prodncts, whether they were goods or services, or the opening of new markets.

The method used in the five-year study did not rely on accountancy techniques or financial analysis. A diversification move involving an outlay of several million dollars, for example on a new plant, was counted equally with a move costing only a few thousand – perhaps *on the development* of a technical process for recovering a by-product.

But diversification moves were weighted by their consequences. Included in the evaluation was the simple expedient of asking managers whether they thought their company's diversification had been successful.

> One of the significant aspects was the way success or failure was measured. The method used did not rely on accountancy techniques or financial analysis.

The study also assumed that, if a company retained the new activity within its corporate structure, the diversification was successful. Divestment was a prime measure of failure.

Paulo de Sá, senior economist at l'Ecole's Centre d'Economie des Ressources Naturelles (CERNA) points out that minerals and metals companies were first driven to diversify by the deep recession and then, when prices recovered, by a search for new beses from which to build future growth. They were also driven by the knowledge that changing technology and evolving consumer tastes might make them highly vulnerable.

Small mining companies with limited skills on which to build should have no difficulty identifying their *métiers*. But a key choice among larger companies with several skills is the selection of the one on which to build diversification, says de Sá.

During the recession some mining and metals groups successfully diversified into materials such as minor and speciality metals and ceramics. The cash requirements were small compared with other commodities.

Ironically, this means that these activities are not big enough to absorb the huge cash flows being generated by hase metals today. *The best opportunities, according* to de Sá, seem to be diversifications into metal fabricating and manufacturing.

Not only have metals groups successfully moved into these areas in the past but these operations also require considerable cash outlays.

The cyclical nature of the metals business leads to the idea that a wide spread of prodncts and activities was a good hedge against the patterns of demand – this became a popular concept in the mining and metals industry in the 1980s.

However, l'Ecole's research showed that the holding, or non-specialised, company was just as vulnerable as the specialised one.

De Sá qnotes the example of Imetal, the French holding company in the non-ferrous metals business, which accelerated diversification in the early 1970s in order to compensate for the weaknesses of its core operations.

But the company was unable to develop new skills from these activities and they did not compensate for the severe losses arising from its base metals operations.

He also points out that Amax, *the US group, was once considered* one of the most diversified minerals and metals companies bnt it had to renonnce most of its operations during the 1980s to concentrate on four core businesses. [Amax now seems intent on diversifying again and has hid for Falconbridge, the Canadian nickel producer].

And Phelps Dodge, the biggest copper producer in the US, had to sell off its mining-related diversified operations to survive the recession in the early 1980s. Phelps Dodge has now started diversifying again – this time into unrelated areas with different business cycles from copper.

Past experience casts doubt on this strategy, according to de Sá, as it does on the recent move hy Pechiney, the state-owned French aluminium producer, into can production via the purchase of American National Can in the US.

"Although good synergies exist between semi-fabricated products and other upstream activities, the patterns of competition in this area (can making) are different from those prevailing in commodity mar*kets and growth requires the devel*opment of specific skills," he points out.

He says that, although demand for commodities such as copper and other base metals is very cyclical, such commodities provide exceptional returns on investment for low-cost prodncers in times of strong demand.

> Included in the evaluation was the simple expedient of asking managers whether they thought their company's diversification had been successful.

Consequently, the recent recovery in metal prices has seen several companies, inclnding RTZ of the UK, CRA of Australia and Boliden of Sweden, moving "back to basics" and their core businesses.

These companies and others such as Alcoa, the US aluminium gronp, which has moved strongly hack into packaging from its core aluminium operations, and Metallgesellschaft of West Germany, which is developing its commodity business to match the needs of its main activity – trading – have made their choices ahout future direction.

The study identified companies in two other categories. There are those such as Inco, the Canadian group which is the world's biggest nickel prodncer, which have always stuck to their core husinesses. And there are those such as Noranda, the Canadian natnral resources gronp, and Outokumpu, the Finnish mining and metals company, which currently seem to be in a dilemma ahout which diversification activities to concentrate on.

Horizontal Diversification of Minerals and Metals Companies. Contact Paulo de Sá, CERNA, l'Ecole des Mines, 60 Boulevard Saint-Michel – 75272, Paris.

Clive Cookson explains the wide-ranging impact of solar flares on everyday life

Anxious watch on the sun's activity

At 2.45 am on March 13, the electric grid for the Canadian province of Quebec collapsed, blacking out 3m consumers for up to nine hours. At the same time short wave radio communications were obliterated worldwide, magnetic navigational systems gyrated wildly – and people as far south as the tropics enjoyed a rare sight of the aurora borealis or northern lights.

The trigger for all those events was an intense magnetic storm, caused by a huge solar flare which had erupted two days earlier on the surface of the sun and shot a beam of high-energy particles and radiation towards the earth. Further disruptive magnetic storms are expected over the next two or three years, as the 11-year cycle of solar activity passes through its peak – predicted for next year.

Scientists do not yet understand the fundamental causes of cyclical activity – sunspots and flares – on the solar surface, says Mike Cruise of the Rutherford Appleton Laboratory, in Oxfordshire, the leading UK space science centre, and they still find it difficult to predict the level and timing of the most energetic outbursts. Even so, on the basis of the sun's behaviour over the last three years, many experts believe that the approaching "solar maximum" will be much more active than average, possibly matching the 1957/8 maximum which was the most spectacular on record.

Some aspects of industrial life have become more vulnerable to solar disruption since the late 1950s. Some modern electronic devices, such as those controling railway signals, could be affected by an intense magnetic storm, says William Stuart, who heads the geomagnetism research group at the British Geological Survey in Edinburgh.

He points out that contemporary navigational systems on ships and aircraft still depend on a magnetic reference, just like an old-fashioned compass. "The magnetic north pole was wandering by as much as 10 degrees from its usual position during the magnetic storm in March," he says. That is enough to send an airliner many miles off course in a few minutes.

Sudden changes in the earth's magnetic field have implications far beyond obvious navigation. For example the March storm forced North Sea oil companies to suspend exploration work, because the delicate magnetic instruments guiding their drill heads were thrown out of alignment.

The most serious incident in March was the collapse of the Hydro Quebec grid, one of north America's main electricity distribution systems. "We had quite a lot of difficulty initially piecing together what happened, because our event recorders did not show that there had been any real faults," says a Hydro engineer.

But a subsequent investigation showed that seven static compensators – devices to prevent voltage fluctuations on transmission lines – bad tripped (shut down) within a period of a few seconds as a result of electric currents induced in the earth by the magnetic storm. That made the whole Hydro system unstable, and less than a minute later Quebec City and Montreal were blacked out. Power was restored over the following nine hours with the help of supplies from neighbouring Canadian and US utilities.

Isolated pieces of equipment tripped at the same time elsewhere in north America and there were voltage fluctuations in northern Europe, including Scotland and Scandinavia. But other grids survived without power cuts.

Hydro Quebec had the most vulnerable system, with a combination of very long transmission lines and a type of static compensator that is particularly liable to trip during a magnetic disturbance. The utility has now adjusted its compensators to make them trip less easily and imposed restrictions on power transfers across the grid during periods when magnetic storms are expected.

Unfortunately, even short-term forecasting of magnetic storms is far from reliable. The magnetic storm alerts issued two days in advance by the British Geological Survey have about a 50 per cent chance of being followed by an actual disturbance, according to William Stuart. The BGS successfully forecast the March 13 storm but a similar warning in mid-June proved to be a false alarm.

An alert is issued when astronomers observe a large flare on the surface of the sun, throwing electrically charged particles (electrons, protons and ions) in the direction of the earth. Radiation from the flare (X-ray and ultraviolet) travels at the speed of light and takes only eight seconds to reach us. This can do some damage, particularly to satellites in orbit.

But the flare's main impact is felt two days later when the charged particles reach the earth's atmosphere and interact with its magnetic field – generating a magnetic storm. It is impossible with present scientific instruments to tell what particles have been ejected from the sun and whether they are beamed directly at the earth. In March they hit us; in June they missed and there was no storm.

The best known effect of solar storms is on short wave (high frequency) radio transmissions. These travel round the world by bouncing off the ionosphere, the electrically charged layer of the upper atmosphere. Charged particles from a large solar flare can change the ionosphere so much that it no longer reflects the radio waves. Then short wave broadcasts from the BBC World Service, Voice of America and their competitors fade out, and ship-to-shore conversations on high frequency radio are cut off.

"The effect can be very sudden," says Ernie Croskill, station manager at Portishead Radio, near Bristol, British Telecom International's HF maritime communications centre, which handles 3,000 calls a day. "Half way through a message or conversation, the signals disappear into nothing. There's then an unearthly quiet – not even noise on the line – as if the receiver had stopped working. It's not unknown for ships' radio operators to get out their screwdrivers to fix it."

After half an hour or so the ionosphere starts returning to normal and the signals gradually reappear, though reception often remains poor for many hours after a fade-out. Smaller solar flares and sunspot activity can also affect short wave radio propagation and force ships to move to different frequencies, without completely disrupting communications.

Other forms of radio communication and broadcasting, which do not depend on the ionosphere for their transmission, are hardly affected by solar storms. According to the BBC, the March flare did not disrupt UHF television or VHF, medium wave and long wave radio reception.

Long distance telecommunications, which use much higher frequency radio signals bounced off satellites, are also immune to solar interference. This is an example of technological progress reducing rather than increasing vulnerability to solar storms, as ships gradually replace their old-fashioned HF radio sets with satellite dishes. But, at present, only about 12 per cent of the 70,000 ocean-going ships use Inmarsat, the international maritime satellite network.

Although solar storms do not directly affect radio transmissions to and from communications satellites, the satellite itself suffers increased "wear and tear" because of the cumulative bombardment by radiation and particles during the "solar maximum" period, and it is vulnerable to damage because of the intense radiation generated by a large flare.

"You cannot attribute noise on an international telephone call to solar activity," says Russell Silk, a satellite expert with British Telecom International. "But there is a remote possibility that something could suddenly go wrong with the satellite. All the calls it was handling would then fail." Although nothing like that has happened recently, Intelsat, the international satellite agency, has expressed concern about the possibility failure of its older spacecraft during the coming solar maximum.

Science Photo Library, US National Centre for Atmospheric Research, Colorado

Civil communications satellites are in high "geostationary" orbit 36,000 km above the earth. Other spacecraft, including many military satellites and some scientific missions, use much lower orbits, a few hundred kilometres up. They face a different hazard: increasing solar activity warms up the atmosphere and therefore makes it expand. This reduces the time a low-flying satellite can remain in orbit before it is dragged back into the atmosphere and burns up.

Solar Max, the scientific satellite launched in 1980 to observe the last solar maximum, is not expected to last beyond the end of this year. But it has carried out its full scientific mission.

Nasa, the US space agency, is much more concerned about its Long Duration Exposure Facility satellite (LDEF), launched in 1984 to test the effects of solar radiation on various materials. This was due to be retrieved by the space shuttle for laboratory examination on earth. But delays to the shuttle programme following the Challenger accident mean it will be touch and go whether LDEF can be brought back before the beginning of next year, after which it might otherwise burn up in the atmosphere, destroying 50 experiments and wasting 10 years of scientific work.

Clearing obstacles off the road from technology to industrial practice

A technique for identifying obstacles to the smooth transfer of new technology into industrial practice in Britain has been developed by the Centre for Exploitation of Science and Technology (Cest).

It arises out of a study of British engineering companies' failure to make the best use of adhesives in manufacture, in spite of the apparent advantages. Cest is a think-tank set up at Manchester University last year by 20 big research-based British companies to try to expedite the use of new technology. Its chairman, Sir Robin Nicholson, is technical director of Pilkington and a former chief scientific adviser to the Government.

The specific question Cest set out to answer was: why do British companies fail to make widespread use of modern adhesives technology? The study, led by Jonathan Williams, began with the premise that modern adhesives can offer British engineering companies advantages in design and manufacturing costs, even for highly stressed parts and assemblies. A famous British aircraft designer, the late R. E. Bishop of De Havilland, used adhesives to assemble the Mosquito fighter-bomber in the Second World War.

Cest targeted four engineering industries, reasoning that if they were persuaded to use adhesives to assemble highly stressed structures, other industries would follow suit. The four were aerospace, cars, machine tools and construction. The aim was to persuade them to rethink their assembly operations as an integrated operation based on adhesives, and not simply to try to substitute glue for the prevailing ways of joining components.

In theory, the pay-off is enhanced product performance. A load can be transferred more evenly through adhesive (chemical) bonds, and disparate materials, previously thought to be unjoinable, can be stuck together. Thus new design opportunities open up.

In practice, the advantages of adhesives are widely discussed but rarely exploited.

Under the direction of Bob Whelan, Cest's chief executive, the study was organised through two working groups drawn from the four target industries. One was the project steering group, comprising Stewart Miller, Rolls-Royce's technical director, Ralph Smith, Jaguar's chief engineer, and Whelan and Williams from Cest. The other was the technical advisory group (Tag), which was to identify the hurdles to exploitation and how to overcome them. Tag's members were drawn from users, suppliers, research organisations, professional bodies and government. Whelan says it is a unique forum for the discussion of the worries that hold back investment in innovation.

Tag was uninhibited because its members had no direct responsibility for the technology and whether it was used. They were really a club, handpicked by Cest, with nothing more than an intellectual commitment to their task. "No one was lobbying, no one was prejudging priorities," says Whelan. Tag was allocated just five meetings for its task.

Aerospace was identified as the industry most enthused by adhesives, because of its advantages in saving weight. And it was willing to make the high investment in quality control. The industry's independent certification procedures gave its engineers confidence in the integrity of adhesive bonds.

But even aerospace was hampered by some of the hurdles identified by Tag. It wanted more durable adhesives to withstand more adverse environments, but these were not forthcoming. The aero-engine industry wanted adhesives that would stand temperatures up to 180 deg C, but the adhesive manufacturers were not willing to make the necessary investment in research and development.

Tag recognised that a car maker must often design for conditions that are adverse even by aerospace standards. And, in the other target industries, there was no tradition of the clean-room manufacture used to achieve aerospace quality.

Tag felt that applied development of adhesives technology and standardisation of practice should progress together. But standardisation procedures were not ready for this.

The skill base within companies was far too small. Often expertise in adhesives came down to a single person. This led Tag to a more general conclusion about new manufacturing methods: that British companies failed to attach enough importance to retraining its engineers in coming technologies.

Whelan believes that the hurdles Tag has identified for adhesives apply to most new manufacturing technologies. That explains why they are not being transferred smoothly into UK industry.

The Tag approach works, he contends, because Cest can attract people willing to think about industrial problems in general. He likens its action to parallel processing by an advanced computer, as opposed to the serial approach to problems normally taken by a committee.

Cest's adhesives study will be published soon. The next target for investigation is British progress in health-care technology.

David Fishlock

FT LAW REPORTS

Commercial Court rules writ issued in England can be served abroad

KLOECKNER & CO AG v GATOIL OVERSEAS INC
Queen's Bench Division (Commercial Court): Mr Justice Hirst: July 31 1989

THE ENGLISH court has jurisdiction under the Civil Jurisdiction and Judgments Convention to hear proceedings in a matter which is also pending before a foreign court, if it was first seised of the proceedings in that the date on which they became definitively brought under English law, namely the date of issue of the writ, precedes the date on which, under the foreign law, they would have become definitive in the foreign court. And the English court can examine the alleged contractual exclusivity of its jurisdiction which, if valid, is paramount over that of a first-seised court, without having to stay proceedings pending the foreign court's decision on the challenge to its own jurisdiction.

Mr Justice Hirst so held when refusing an application by the defendant, Gatoil Overseas Inc, to set aside leave given to the plaintiff, Kloeckner & Co AG, to serve proceedings outside the jurisdiction.

Article 21 of the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters provides: "Where proceedings involving the same cause of action and between the same parties are brought in the courts of different contracting states, any court other than the court first seised shall . . . decline jurisdiction . . ."

HIS LORDSHIP said that Kloeckner, a West German corporation, claimed approximately $200m against Gatoil under a basic agreement dated June 5 1986, and a number of other contracts providing for the cancellation or booking out of earlier contracts for the sale and purchase of oil.

Gatoil said the contracts were wrongly terminated by Kloeckner. In German proceedings it claimed a declaration in respect of three invoices, that Kloeckner was not entitled to payment.

On November 23 1988, Gatoil's German claim was filed with the Duisberg Landgericht. On November 25, Kloeckner's English writ was issued. On November 29, Kloeckner was granted leave under RSC Order 11 to serve out of the jurisdiction, and the concurrent writ for service out was issued. On November 30, the German proceedings were served on Kloeckner. On January 30 1989, the English proceedings were served on Gatoil in Panama.

Gatoil's case was that the West German courts were first seised of the action, and that under article 21 of the Civil Jurisdiction and Judgments Convention the English court must decline jurisdiction.

Under German law, the German court became seised on date of service, November 30. Gatoil asserted that the English court also became seised on service, January 30 1989. Kloeckner said the English court was seised when the writ was issued, November 25.

Under the basic agreement, Kloeckner agreed to "front" for Gatoil in contracts for sale and purchase of cargoes of North Sea crude oil on 15-day terms. It established an agency relationship.

It contemplated and provided the framework for the making of the sale, purchase and book-out contracts. That was consistent with a true fronting arrangement. All the contracts were authentic.

The sale, purchase and book-out contracts were expressed to be subject to the exclusive jurisdiction of the English courts.

A huge number of purchase and sale contracts were booked out. Kloeckner submitted invoices totalling $200m which remained unpaid and were a subject of the claim.

Gatoil contended that even if the English court was technically first seised, seisin was improper and invalid under the Gaming Acts, in that an agreement that there would be no delivery of a commodity was a contract for differences.

The argument was rejected. These were not gaming contracts. Under article 21 of the Convention, the priority accorded to the court first seised was important to avoid conflicting decisions. Equally important was the exclusivity, under articles 16 and 17, of a specified court's jurisdiction.

Mr Rokison for Gatoil said that notwithstanding article 17, the English court was obliged by article 21 to stay proceedings pending a decision by the German court on the challenge to its jurisdiction.

The first sentence of article 17 provided that if the parties "one of whom is domiciled in a contracting state," had agreed that the courts of a contracting state were to have jurisdiction, that court "shall have exclusive jurisdiction."

The third sentence provided that where such an agreement was concluded by parties "none of whom is domiciled in a contracting state," the courts of other contracting states "shall have no jurisdiction . . . unless the courts chosen have declined jurisdiction."

That strongly suggested that in cases falling within the third sentence, the first-seised court was bereft of any jurisdiction until the chosen court itself had first declined jurisdiction.

Thus, in such cases a degree of paramountcy was given to article 17.

There was no reason why the opposite should apply in cases like the present, where one or more of the parties was domiciled in a contracting state, within the first sentence of article 17.

A court with alleged exclusive jurisdiction under articles 16 and 17 must be free to examine whether it had exclusive jurisdiction under one of those articles. Otherwise it would be sufficient for one of the parties to claim that the contract allegedly according exclusive jurisdiction did not exist, thus depriving that part of the Convention of legal effect (see *Effer v Kantner 1982 ECR 825*).

Mr Rokison's submission was rejected. The court was free to consider the validity of the English jurisdiction clause and, if it turned out to be valid, to allow any claims covered by it to continue in the UK.

The exclusive jurisdiction clauses in the sale, purchase and book-out contracts were unchallengable.

The basic agreement contained no exclusive jurisdiction clause. The question was whether the English court was first seised.

In *Selger v Salinitri (No 2) [1984] ECR 2397*, the European Court stated that under article 21 the court "first seised" meant "the one before which the requirements for proceedings to become definitively pending are first fulfilled . . . in accordance with the national law of each of the courts concerned."

Proceedings became "definitively pending" under the appropriate national law when the proceedings had been definitively brought.

In English law, the authorities and the unanimous view of text books seemed based on a universal understanding that *the moment an action was* brought, and so became pending, was the moment of issue of the writ.

The court at that juncture became definitively seised, as was demonstrated by the large number of orders it could then make.

Where leave was required for service abroad, it might be correct to hold that proceedings did not become definitively pending until leave was granted. In the present case, that qualification made no difference, since issue of the writ and Order 11 leave both preceded the date when the German court first became seised.

The present action became definitively pending before the *German proceedings became* definitively pending. The English court was the court first seised under article 21.

With regard to *jurisdiction* under Order 11, the question was whether, by its terms or implication the basic agreement was governed by English law.

The 15-day North Sea cargoes were invariably traded on terms containing English law and English jurisdiction clauses. There was an overwhelmingly strong inference that the parties must have intended the basic agreement to be governed by the same law as the multifarious agreements for which it provided the framework.

The court therefore had jurisdiction to grant leave under Order 11.

Kloeckner had a good arguable case under all its heads of claim.

On the exercise of the court's discretion to grant leave to serve out of the jurisdiction, three factors outweighed the considerations relied on by Gatoil: (i) all the agreements at issue were governed by English law, which was best determined by the English courts; (ii) the parties in all save the basic agreement expressly chose English jurisdiction, and their choice should be respected; (iii) if the action were tried in Germany, Kloeckner might be disentitled to recover, under German gaming laws and on grounds of public policy.

England was clearly and distinctly the more appropriate forum for trial of the action.

Leave to serve out of the jurisdiction was affirmed.

For Kloeckner: David Johnson QC, Mark Havelock-Allen and Edward Broadbent (Middleton Potts)

For Gatoil: Kenneth Rokison QC and Nicholas Hamblen (Holman Fenwick & Willan).

Rachel Davies
Barrister

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
11	12	13	14	15	16	17

OPERA AND BALLET

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strongcast including William Peil in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, GabrieleSchnaut and Eike Wilm Schulte. *Tannhäuser* returns, with Richard Versalle in the title role, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Peil and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Pompeii

Panatenee Pompeiane Aug 25 to Sept 10 (Rome 6864126/ 6864305).

Rome

Terme di Caracalla. *Aida*. Last two performances of Sylvano Bussotti's revival of the spectacular 1950s edition, conducted by Nicola Rescigno. Antonella Banaudi takes over as Aida, with Dolora Zajick as Amneris, Carlo Colombara (the king) and Giuseppe Giacomini (radames). (46.17.55/46.36.41).

Verona

Arena. This week's performances include Verdi's *Nabucco*,conducted by Daniel Oren, with Silvano Carroli, Piero Cappuccilli and Paata Burchuladze. Gianfranco de Bosio's prodoction of *Aida*, cooducted by Pinchas Steinberg (Aprile Millo and Bruno Beccaria), and Verdi's *La Forza del Destino*, with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (596517/ 8005151).

Pesaro

10th Rossini Opera Festival. Opens on Wednesday with Michael Hampe's production of *La Gazza Ladra*, designed by Carlo Diappi, with Katia Ricciarelli, Luciana d'Intino and Samuel Ramey, conducted by Gianluigi Gelmetti. And (Thurs) Jean-Pierre Ponnelle's production of *L'occasione fa il Ladro*, conducted by Ion Marin. (33184).

Stresa (Lago Maggiore)

Settimane Musicali di Stresa. 23 Aug to Sept 15 (31095/30459).

New York

New York City Opera. The week features *Anna Bolena*, last seen in 1981. Donizetti's *bel canto* score is conducted by Scott Bergeson with Marilyn Mims in the title role and Harry Dworchak as the king. *The Mikado* features Richard McKee as the Mikado in Lofti Mansouri's production conducted by Peter Howard. Other performances include *Rigoletto* with Maureen O'Flynn as Gilda, Susanne Marsee as Maddalena and Pablo Elvira in the title role, conducted by Scott Bergeson, as well as *Carmen*. Lincoln Center New York State Theatre (877 4700).

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).
London International Festival of Theatre. LIFT, the fifthbiennial festival takes place all over London during July.Recommended highlights are the Abbey Theatre of Dublin in TomMurphy's *A Whistle in the Dark* at the Royal Court (730 1745) all month and the Comédie de Genève in Strindberg's *Miss Julie* at the Lyric Hammersmith (741 2311) in the last week only. More details on 240 2428.
Anything Goes (Prince Edward). Cole Porter's silly ocean-going1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the beyday of the musical.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Washington

Gypsy (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Small World". Ends Sept 17 (254 3770).

Tokyo

Les Miserables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades.
Noh. National Noh Theatre (Wed at 1pm) (423 1331). *Hanjo (The Girl whose Lover Went Away)*, by the great 15th century noh master Zeami. Plus a kyogen comic interlude. Japan's most esoteric art form is not to everyone's taste, but everyone should see it at least once, since it is the world's oldest living form of drama of any importance.

EXHIBITIONS

London

The National Gallery. The Artist's Eye – this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces – great figure compositions by Titian, Poussin, Veronese, Rubens, El Greco and Cezanne. Daily until August 31.
The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.
The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the visitor who has the determination to search them out among the general mass. In defiance of received opinion, the general standard of work is commendably high and this year better displayed than ever. Daily until August 20.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1995. It will involve the moving around of 800 of the exhibits, but the three stars – the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Centre Georges Pompidou. Matisse drawings. Some 100 works retrace the painter's creative development from the post-academic beginnings to the *fauve* period and to the greatbrush-drawings of the 1940s and 1950s. The mixture of accomplished masterpieces and of rapidly dashed off sketches, adds a refreshing flavour to the exhibition. Closed Tue, ends Aug 27.
Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritance liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. At least they were saved from the turmoil and we can thus admire the world's largest cameo representing the triumph of Germanicus sculpted in five layers of sardonyx. There is the ancient gospel from Echternach copied in the north of England or in Ireland at the end of the 8th or beginning of the 9th century and the Saint-Medard's Gospel, with all its lettering in gold, the most sumptuous work from the school of Charlemagne's court around 800AD. The portrait of Julia, the daughter of Emperor Titus, is engraved in a large aquamarine of exceptional purity surrounded by saphires and pearls, while Solomon's Cup from Sassanid Persia glows with the deep red of its grenades set in gold. 58 rue de Richelieu. Ends Sept 10.
Centre Georges Pompidou and La Grande Halle de la Villette. A mammoth exhibition – Les Magiciens de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Taking four years to prepare and costing FFr50m to stage, the exhibition needs all the space of the 5th floor of Beaubourg and the Grande Halle de la Villette to accommodate the 100 artists – half of whom come from the third world – whose works span the globe. The exhibition assembles bark paintings by Australian aborigines, a house repainted for circumcision ceremonies in South Africa, effigies of lions and sorcerers from Benin and decorated coffins from Ghana. Even the western artists were chosen according to their relationship with the Third World. Centre Georges Pompidou (42771233) and Grande Halle de la Villette, 211 Ave Jean-Jaures, Metro Porte-de-Pantin (42497722). Both exhibitions closed Tue and ends August 14.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is an important show by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-222978).

Brussels

KB Gallery James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand Place.
Beaux - Arts. Le passe vivant Eben Ezer: works by Robert Garcet, drawings by Giorgio de Chirico (Ends Aug 19) 20 Rue Ravenstein 513 67 77.
Halles St Gery - Avanti, Bertrand Neuman (Ends Sept 9), Place St Gery.
L'Ecuyer, 20th Century Crystal, ends August 30th. 187, Avenue Louise.
Centre Culturel le Botanique. A sense of catastrophe – art in the 1980s shows works of American and European artists. Closed Monday ends August 13.
Musée du Costume et de la Dentelle. Women and Equality 1789 - 1889. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,100 sheets. Ends 17 September.

Frankfurt

Schirn, Kunsthalle, Am Römerberg 6a. A Wassily Kadinsky retrospective (1866-1944). Wassily Kadinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. He left Russia four years after the revolution and was forgotten for many years. To rehabilitate him 45 years after his death, 20 museums from all parts of the world have lent about 170 oil paintings, watercolours and drawings for this unique exhibition, only to be seen in Frankfurt. Ends Aug 20.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22. Centres, Residences and Metropolis in German History. This interesting exhibition, organised by Bodo-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums. It is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signets and personal distinctive belongings of German politicians, from the Middle Ages up to the present, Aachen is represented as the seat of Charlemagne, Nuremberg as the Emperor's city, Regensburg as the town of the everlasting diet and Frankfurt as the seat of Germany's first national parliament. There are also portraits by Kokoschka of Konrad Adenauer, Theodor Heuss and Ludwig Erhard. A reconstructed model shows the original layout of Berlin's famous Wilhelmstrasse, the location of the Prussian government and empire. A constructed steel bridge leads the visitor into the postwar period. Here, can be traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well as photographs of the first German Chancellor,Konrad Adenauer, who strongly influenced the political postwar development. Ends August 20.

Bremen

The Kremlin Gold. The exhibition is jointly organised by the Bremen Ueberzee Museum and the Moscow Kremlin Museum. This presentation of around 80 pieces of Russian goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the goldsmith's art such as filigree and enamel work in the 15th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Ueberzee Museum, Bahnhofsplatz 13. Ends August 13.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,000 sheets. Ends Sept 17.

Vienna

Galerie im Heiligenkreuzerhof has a selection of watercolours and other sketches by Gustav Klimt, the turn of the century Austrian artist who helped to shake the artistic establishment out of its lethargy. Until August 16.
Secession. Never to be accused of neglecting the younger generation of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibition by Astrid Klein. Until August 27.
The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.
Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. This relationship blossomed at the turn of the century when a group of Viennese artists broke away from the established artistic circles and brought their skills and creativity into interior and industrial design. Ends September 4.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and Arte povera, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carnival masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin. Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers at the Mariinsky theatre. A number or remarkable portraits stand out, from Vladimir Tatlin's curly-faced Sailor to Altman's faintly expressionist portrait of the poetess Anna Akhmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandinsky, with three fine works, including the large Composition VI from the Hermitage. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruntoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sanguinegne where Christ (with an almost victorian head of curls and roughly eight years old) standing between his parents while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, ranging from delicate landscapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.
Palazzo Grassi. Italian Art 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.
Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expressionism since the war. Ends Aug 20.

Washington

National Gallery. The first exhibit of the complete set of Mary Cassatt's colour prints includes familiar images of mothers and children from the American impressionist's oeuvre. Ends Aug 27.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays.
National Museum of Modern Art. Art of the Showa Era. Paintings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.
Teien Museum. Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintessentially Japanese in its delight in decoration for its own sake. The paintings on show include landscape, still life and portraits. Closed Mondays.
Idemitsu Museum. Hoan Kosugi. Kosugi's early work was influenced by Impressionism, but in later years he created a more Japanese style in sumie and watercolour. His favourite subjects were flowers, birds and people. Closed Mondays.
Suntory Museum. Edo Glassware. Over 120 glass objects from the Edo period (mid 17th - mid 19th century), including glassware imported from Europe as well as examples by Japanese craftsmen. Closed Mondays.
National Museum. Heijokyo - Discovery of a Lost Capital. Japan's first permanent capital and its imperial palace have been excavated extensively over the past 30 years. This major exhibition featured artefacts, reconstructions and models to give a vivid picture of 8th century life from a wide variety of angles. Closed Mondays.
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ARTS

Un ballo in maschera

GROSSES FESTSPIELHAUS, SALZBURG

The 1989 Salzburg festival ushers in the post-Herbert von Karajan era. Black ribbon edges his photographs in all the shop-window displays; festival programme booklets carry a supplement listing every one of his Salzburg performances; hardly a day goes by without some Karajan item in the local papers. Names of successors to the post of festival supremo are already being tossed about (that of August Everding, the former Munich opera boss and producer, crops up frequently).

But discussion about what sort of festival the city hopes to sustain in the post-Karajan future has hardly begun. The big new production of this year's festival, *Un ballo in maschera*, should help considerably in concentrating minds on this difficult topic: for in its monster-largeness of scale, super-splashiness of design and awesome vulgarity of manner, it seems to sum up the artistic nullity of the Karajan era.

Le style c'était l'homme – and though the conductor had ceded its staging to another hand, John Schlesinger, the Master's fingerprints are all over it. Just as the vast width of the Grosses Festspielhaus stage was of his devising, so its filling-up (in "public scenes") with sky-scraper scenery and hordes of bit-parts surely represents his *Ballo* vision and conception.

The *ne plus ultra* of this conspicuous-consumption school of opera production is achieved in the last scene. The work is given in its original Stockholm setting, and its finale in Gustaf's own theatre. What William Dudley has designed, indeed, is an immense tri-sided Drottningholm set that can be swung around to show both back and front stage and a segment of the auditorium.

It can be, and it is, thrice; while the main characters struggle to achieve the foreground there is an almighty *vlavat* with a troupe of dancers and their stage-within-a-stage ballet (not much sign of an *actual ball here*), not to mention the monstrous regiments of chorus and supernumeraries in Luciana Arrighi's glitz-laden costumes. One begins to feel that the climactic confluence of the opera's dark and light themes, its tragic romanticism and sparkling theatricality, has become a sideshow to the main Salzburg business of stunning the high-price-paying customers with value-for-money spectacle.

It is, altogether, the showiest of *Ballos*. The opening takes place in the vast Royal Palace library; the gallows are three-tiered and littered with corpses (no expense spared in Salzburg!). Mr Dudley's familiar ingenuities of design have been fully exercised; Schlesinger's production is likewise bedizened with "business."

But the overall effect, I fear, is of irredeemable superficiality, of a clotted, clogged stage often clumsily manipulated (and dreadfully coarsely lit) – and ironically of a performance "saved," as far as possible, by the native strengths of the cast, irreducible even in this essentially inartistic context, and by Georg Solti as conductor. (Karajan died on July 16, at an advanced stage of rehearsals; Solti, whose Salzburg connection dates back to the Toscanini period in the 1930s, nobly agreed to step in for the first three evenings; Gustav Kuhn undertakes the final three.)

Not surprisingly the opening night (July 27) had been, according to report, a fraught occasion. By the third performance Solti's characteristically crisp way with rhythmic delineation and determination to draw taut phrasing and textures from the Vienna Philharmonic were paying substantial dividends. He is not, and never has been, a "singing" Verdian, but he accompanied the cast with chivalry and high skill. His was not a grandiose reading, which is what the staging predicates. By the end of the evening one was in no mood to object.

The principal voices – Karajan recorded the opera with the same cast *earlier in the year* – *are not the sumptuous* Verdi instruments that might prompt a slightly greater tolerance of the production style. But all are keen, cogent performers, and all make a determined effort to rise above the preponderant banalities of the staging. Leo Nucci (Anckarström), who in recent years has tended to rely on blaring loudness of delivery, here recovers the distinction of that Covent Garden Luisa Miller appearance that first brought him to international notice. Florence Quivar (Ulrica) lacks darkness of tone-colour but nothing in musical sensibility; the young Korean Sumi Jo (Oscar) is delightfully pure.

Placido Domingo's Gustaf is now a mature and masterly study, sung with endless resources of intelligence and subtlety (even when patches of dryness threatened toward the end). The first-night Amelia of Karajan's "discovery," Josephine Barstow, was not praised by the German, Austrian, and Italian press. At this third performance the voice was obviously flowing more freely; its idiosyncrasies of production are inevitably exposed in so tone-stretching an auditorium.

But exposed also are the depth of her Verdian sensitivities, the beauty and emotional ripeness of her stage personality – there were many typically eloquent touches of portamento and mezza voce to bear those qualities out. After encountering her Amelia in San Diego, a few years ago, Andrew Porter was moved to compare Miss Barstow to Pauline Viardot – and no doubt that most inspired and inspiring of 19th-century lyric artists would also have been taxed by Karajan's Grosses Festspielhaus. Singing "Morrò ma prima in grazia" with sublime melancholy inwardness, the "modern-day Viardot" briefly raised this *Ballo* above its natural level.

Max Loppert

Placido Domingo

Prom premières

RADIO 3

Wednesday was another double Prom evening, with a thirty-something composer conducting his own Prom commission in each concert. In the Albert Hall James Wood led a reinforced BBC Symphony in his *Oreion*, and later in Kensington Town Hall Rupert Bawden guided eight Nash Ensemble players through his *Ultima Scena*. The two pieces had nothing in common but an avid interest in colour and atmosphere, and even then in quite different flavours.

For the Technicolor *Oreion* – "Of Mountains . . ." – the programme-notes supplied the audience with important cues: the notion of ever-wider vistas coming into view on a mountain ascent, and the assignation of the main musical elements to the "four elements" of ancient folklore – thumping rhythms for Earth, high violin-haze for Air and so on. If Wood is less narrowly pictorial than Richard Strauss was in *An Alpine Symphony* (or Ferde Grofé in his "Grand Canyon" Suite), his broad evocative devices are decidedly similar. The immediate grip of the score lies elsewhere, however: in sustained episodes of timeless "ethnic" skirling, pungent and plangent, and in sensational pile-ups of rhythmic canons.

Those things are cannily alternated and elaborated in *Oreion*, along with hieratic chants in Messiaenic clinster-chords – though nothing is *developed, I think,* to any further musical purpose. Wood is himself a brilliant percussionist, and the big orchestral canvas was given full scope to his ear for telling aural contrasts. Any risk of mere indulgence is scotched by the strict character he decrees for each element; the whole is constructed from building-blocks that are narrowly defined. The theatrical form is cleverly judged, and the effect of a grand *al fresco* finale is imposing (like the Messiaen *Des canyons aux étoiles* in tonight's Prom). In short, it works extremely well.

It was strange, nevertheless, that not one of the three sophisticated musicians whom Radio 3 collared to rhapsodise about *Oreion* during the subsequent interval chosa to mention the obvious musicological fact about it, which is its vast debt to a piece already 65 years old. If I had to give a capsule-description of *Oreion* to anyone familiar with the music of Edgar Varèse, I should just say: "It's a blow-up of *Intégrales*." A few minutes longer, less truculent but with more rhythmic complications, and a hundred-odd players instead of Varèse's fourteen – including Strauss's cirro-stratus strings; but that's *still* what Wood's piece unmistakably is.

The hues of Bawden's *Ultima Scena* are luminously grey, like those of Debussy's "Nuages," but even more deliquescent and wispy. His avowed intention was to test-run a musical character he wants for the close of his ballet score-in-progress on the medieval "Roman de Fauvel," drained and desolate – but not, of course, musically inert. The result here is a mixed success, in danger of curdling and separating.

There are eerie original tints (not to mention the nightmare moths from Schoenberg's *Pierrot*), and phrase-silhouettes of Gallic elegance along with the soft *portamento* sighs and whimpers. When at the very end the latent barcarolle-motion is made explicit, one virtually sees the "lugubrious gondola" slipping away into the mist. The further challenge to be met, however, is to generate up-tempo episodes – essential for a piece of 17-minutes-plus – from material which is designed to seem stagnant. After two bearings, Bawden's proposals (especially the big cadenzas for harp and for piano) still strike me as eloquent in their own right, but unexplained and under-motivated in the context. A real "ultima scena" should unfold more inevitably.

David Murray

Business off Broadway

Arthur Miller and David Mamet should have inspired many Broadway seasons' worth of plays about business. But the idea is catching on only now.

Two new off-Broadway plays show just how fertile a field it is. Jerry Sterner's perceptive profile of a takeover artist in *Other People's Money* goes right to the heart of the matter. Lawrence Garfinkle, a Wall Street predator known as "Larry the Liquidator," makes a bid for New England Wire and Cable, a venerable public company still being run like a family business. As Larry's offer immediately boosts the company's share price, the paternalistic management resist the advice that could preserve their independence at the expense of some divisions and personnel.

The play gets slightly bogged down in the investment banker's patient explanation of the executives' alternatives and the predator's advantages. Much more lively are Larry's impassioned defence of selfishness and mission to reward shareholders. The thoughts may not be new, but they find an articulate and ultimately sympathetic spokesman in the fat Wall Street man of Sterner's creation.

In Gloria Muzio's deft production at the Minetta Lane, Larry stands in the corner stage left breathing fire and pontificating the gospel of wealth, while company chairman Andrew Jorgenson expansively paces in his old fashioned office filling the rest of the stage.

The investment banker turns out to be the daughter of the chairman's long-time secretary. Despite the personal stake and the growing attraction between the two Wall Street adversaries, the financial battle stays resolutely in the forefront.

Paul Provenza (top) and Andrew Hill Newman in "Only Kidding"

Kevin Conway's portrayal of Larry has a little too much of Jackie Mason's mannerisms, but conveys a powerful man whose ruthlessness is disarmingly frank and defensible. Arch Johnson's corporate chairman is equally guileless as a sensible New England business man bewildered by his predicament. Janet Zarish as banker Kate fits the stereotyped blue suit and silk blouse a little too comfortably. She would be intolerably superior had she not fallen for fat, sloppy Jewish Larry and his celebration of greed, which suits them both.

*

Only Kidding at the Westside Arts finds comedy in the ugly business of ruthless competitors desperately besting each other to appear on Buddy King's late-night television talk show. Playwright Jim Geoghan obviously knows the territory, from the Catskill borscht belt of the opening scene to the dingy cellar of a Brooklyn comedy club and the denouement in Buddy King's green room.

A former standup comic himself, the playwright conveys the different styles of 52-year old Jackie Dwayne still plying his stick in the Catskill resorts and the hip young comedy team living off drugs, boundless ambition and the dreams fueled by the success of a generation of young comics.

Each of the first two scenes presents a small drama of its own, with Jackie resisting help from a young writer sent by his agent to improve his act, while the young pair in Brooklyn confront the dilemma of having to accept a manager they don't want to get a shot with Buddy King.

The second act takes place three years later backstage at Buddy King's. The comedy team has split up, the louder and more ambitious of the pair having accepted the unwanted manager and the other working as a writer for Buddy King. The Catskill comic, after a heart attack, has developed a much more personal, funnier routine that finally earns him a place on the show.

Director Larry Arrick has assembled a crack cast, led by Paul Provenza as the aggressive young comic with a nose for drugs and funny lines. His laid back partner, Andrew Hill Newman, makes a good foil. Sam Zap as the bum manager sounds and looks like the thug he turns out to be, while Larry Keith as Jackie Dwayne improves as a comic with his repaired heart.

Frank Lipsius

British Impressionism

PHILLIPS, NEW BOND ST

Nottingham Castle Museum's British Impressionist exhibition, currently on show at Phillips in London, seems to prove that the so-called British Impressionists make even less a homogeneous group than their French counterparts. At first and even second glance, there seems little to link works as diverse as Wilson Steer's Whistlerian portraits, Sickert's muddy-toned street and theatre scenes, and William Stott's Baron Gloeden-style pubescent nude boys on the beach. The tag seems even less appropriate to the monumental peasants of Stanhope Forbes, Clausen, and La Thangue which have more to do with the Academic realism of Bastien-Le-Page than mainstream Impressionism.

What the diverse painters of the New English Art Club, who described themselves as "anything but one school", the London Impressionists (no more coherent in terms of style, subject or scale), and the artists of Newlyn and Staithes and Glasgow did have in common was an admiration for French painting, a desire to paint out of doors, and a preoccupation with contemporary life.

Hilary Taylor's selection is academic and highly personal. A number of artists one might expect to see are not here, and quality proves as variable as style. Comparisons with French art abound. James Guthrie paints his own sun-dappled women in a garden in 1892, the surface of Steer's Walberswick canvases are woven in stippled, complimentary colour. The influence of Manet and Degas as well as Monet is all apparent.

Gaugin, too, has a protegé in the guise of Whistler's friend Arthur Studd, whom he met in Brittany in 1890. The latter's small panel, "Washing Day", is a revelation. So, too, is the marine artist William Wyllie's ability to create such a glorious study as "The Thames near Charing Cross." William Stott's portrait of the artist T. Millie Doe vies with Lavery's sinuous "Lady in Black" as a tour-de-force of black paint.

Sadly, the London showing of the exhibition has suffered *from its pruning. A number of* museums reclaimed their loans after the Nottingham show, most notably the Tate, leaving the show without a Whistler oil, and with only three of the eight delightful Paul Maitlands of London streets, parks and the river that are so characteristic of the age.

The exhibition continues at Phillips, its sponsors, at 101 New Bond Street, W1, until August 31.

Susan Moore

"Kensington Gardens" by Paul Maitland

Arabella

GLYNDEBOURNE

An additional suitor has come to claim Arabella's hand this summer at Glyndebourne. A little while before the revival of Strauss's opera was due to open Sergey Leiferkus withdrew from the cast and the dozen performances that be would have sung have been shared between Peter Weber and the German baritone Oskar Hillebrandt, who arrived at Glyndebourne for his British debut on Wednesday.

It is a most cultivated *Arabella* in which he has come to take part. This elegant moral comedy, suffused with a feeling of valediction, is about trying to keep old values alive in a world that is turning to new and harsher realities. The balance is a delicate one and the Glyndebourne cast have judged it to a nicety, providing a marvellous range of smaller characters who are all real, believable people to support the central relationship, where old and new manners come face to face.

The "old" is the Arabella of Felicity Lott, though the term is not meant in any pejorative sense, for there can have been few singers in the part who looked more beautiful, or sounded more radiant. The limpid elegance of her singing and the scale on which it works make her an ideal Arabella for this house, the girl's frosting of old-world hauteur most delicately managed.

To her now comes a Mandryka bursting with rude vigour. The other roles in Oskar Hillebrandt's repertoire include the Flying Dutchman and Alberich in the *Ring*, whose dark, aggressive strength spills over into his Mandryka. The character decribes himself as "half a peasant" and in Hillebrandt's portrayal it is that half that gains the upper hand, bringing some roughness in conversation and an eagerness to show off his top notes, where the voice locks into place with virile, ringing tone.

It is in the outgoing sections of the score that the conductor Graeme Jenkins is also most at home and so, after all, there is perhaps some leaning in the performance towards action and energy at the expense of romance, nostalgia, reminiscence. Among the many excellent supporting roles, a special mention for the Count Waldner of Ernst Gutstein, a model of understated character observation. On reflection, I do not think I have ever enjoyed *Arabella* more.

Richard Fairman

Gil Scott-Heron

TOWN & COUNTRY CLUB, KENTISH TOWN

Early into his set at the Town and Country on Tuesday night, Gil Scott-Heron, poet, educator and the definitive voice of urban revolt, complained that America was "spiritually, psychologically, politically and philosophically frozen".

Yet in spite of the warmth of his reception, and the beat generated by his excellent five-piece funk band, the freeze extended elsewhere. The dangerous satire essayed so well in Scott-Heron's best work was missing. The performence lacked bite, the delivery lacked venom. As soul music it was fine, indeed excellent entertainment; as agitprop, it was decidedly lightweight. The evening simply never caught alight.

Throughout, the message – once so integral to a Gil Scott-Heron performance – took a back seat to the music. The opening number, an emasculated version of "B-Movie", set the tone. The strident attack on Reaganite America was stripped out, to leave just the skeleton of the tune and the thin scraps of a chorus.

What disappointed most was that Scott-Heron, known in his prime as the "Minister of Information," had nothing new to say. The sole concession to contemporary issues was a glib reference to the *ozone* layer, and a weak warning. "You young folks have got a big job ahead of you to save the world."

Musically, though, the avenging was something of a triumph. Scott-Heron was in good voice, his multinational band led by one of Washington finest bass players, Robert Gordon, laying down a steady bass end drums backbeet embroidered with the elegant, flighty jazz lines of piano and saxophone.

There were a few glimpses, apart from the greying afro and busby beard, of Scott-Heron's past glories. "Angel Dust," an anti-drug song written a decade before crack was beard of, fairly crackled with menace. A coruscating reading of "When the other folks give up theirs, I'll give up mine," belped raise the temperature further. As did the inevitable "Johannesburg," a strong freedom chant carried on a bubbling funk rhythm. "It is a song," he said, "about our commitment."

Yet it was significant that the commitment did not stretch to the *night's* new material. Two numbers, "Save the Children", and "Better Days Ahead", that were both directionless, sentimental ballads which sat uneasily on his hard-edged, bass vocals.

At times a faint, but discernible air of defeat hung over the evening. "Ain't nobody fighting because nobody knows what to save," sang Scott-Heron wearily. The Minister of Information has settled for the semi-retirement of an elder statesman.

Patrick Harverson

ARTS GUIDE

August 11-17

MUSIC

London

The Proms. Works by 114 composers will be heard during this year's Promenade Concert season, which continues until September 16.

Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used.

Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.

This week sees the London Sinfonietta playing Messiaen (Fri); the BBC Symphony Orchestra playing Mozart, Brahms and Strauss' Four Last Songs with Felicity Lott (Sat).

On Sunday a special concert provides three versions of The Judgement of Paris by Purcell, Weldon, and Eccles. Not since 1968 has the Prom audience been asked to vote on what it hears, but those attending Prom 28 will be able to choose their own winner *from three entries* in the competition held in 1701 to set the same masque text by William Congreve.

Klaus Tennstedt conducts Beethoven's Ninth (Mon); and the BBC Symphony Orchestra play Bartók, Birtwistle, and Stravinsky (Thur).

Paris

The Festival of Paris. Clarinette Guy Dephus, Quatuor Ludwig. Beethoven, Shostakovitch, Brahms (Tue) Auditorium des Halles.

The Festival of Paris. Orchestre des Rencontres Lyriques de Luchon conducted by Jean-Claude Hartemann/Pierre Douglas, with Maryse Charpentier, (piano) (Thur) Auditorium des Halles.

Both the above concerts are part of the Festival of Paris and information is available on 48049801, and in English on 47208898.

Paris ars Antiqua. Music of the *troubadours, 15th century music* at the court of Burgundy, 16th and 17th century court and village music (Mon), music from the Crusaders period, Guillaume de Machaut 14th century, golden age of spanish music 16th century (Tue, Thur). The Ars Antiqua concerts take place at 7.15 pm and 9.15 pm in the Sainte Chapelle with its jewel-like 13th century windows (43405517) 4, Bd du Palais.

Flute recital by Gabriel Fumet. C.P.E. Bach, J.S. Bach, Telemann, Debussy, Varese (Wed) Sainte Chapelle (45231825).

Summer festivals in France.

La Chaise-Dieu in Auvergne, Aug 23-30 (71000116).
Saint-Jean-de-Luz. Aug 30 - Sept 16 (59260316).
La Roque-d'Antheron, Aug 1 - 23 (42505115).
Menton, Aug 5 - 31 (93575700).

Pesaro

19th Rossini Opera Festival. Schottische lieder, Beethoven, with soprano Lella Cuberli and tenor Philip Langridge, accompanied by violinist Salvatore Accardo, 'cellist Rocco Filippini and pianist Maurizio Pollini, with the Prague Philharmonic Choir (Tues) (38184).

Brussels

Eglise Saints Jean et Etienne. Martine Niessen and Joelle Sauveniere. Handel concert for organs. (Sun).

Francois Houtart (organ) Hans van Dael (cello) Lucy Grauman (mezzo) 17th & 18th century religious music (Tue).

Cathedrale Saint-Michel Dusseldorf. Urdenbach chamber chorus conducted by Franz Lamprecht. Gounod, Mendelssohn, Bizet, Berlioz (Sun) 217 83 45.

Montepulciano

29th Festival of Organ Music, in Tuscany. 14th Cantiere Internazionale d'Arte - founded by Hans Werner Henze in 1976. Closing concert (Sat) at the *Templa* di S. Biagio, a mass,"Argentum et Aurum" by the eclectic flemish composer, Heinrich Isaac, who spent much time at the court of the Medicis, elaborated for for four voices (Nicolas Howard, Andrew Watts, Niall Morris and Michael Harpham), organ and orchestra (the London Parnassus), conducted by Markus Stenz. Until August 14.(717092/758213).

Vienna

Sinfonia Varsovia, conducted by Leopold Hager. Haydn, Rheinberger. Augustinerkirche. (Fri). Polish Chamber Orchestra, conducted by Jan Stanienda. Mozart, Greig, Britten. Palais Schonbrunn. (Sat).

Wiener Saxophon Quartett. Weiss, Benson, Wagner, Gershwin. Secession. (Sun).

Haydn Sinfonietta Wien, conducted by Manfred Huss. Beethoven. Grosser Redoutensaal. (Mon).

Katowice Radio Symphony Orchestra, conducted by Manfred Honeck. Mahler, Dvorak. Arkadenhof. (Tues, Thurs).

Wiener Mozart Orchestra in historical costume. Konzerthaus. (Wed).

New York

Mostly Mozart Festival. Festival Orchestra conducted by Trevor Pinnock with Simon Standage (violin), Nancy Argenta (soprano), Ingrid Attrot (soprano) and Jean Stilwell (mezzo-soprano). Vivaldi programme (Mon); Tokyo String Quartet with Ralph Kirshbaum ('cello) and John Kimura Parker (piano). Beethoven, Mozart, Schubert (Tue); Festival Orchestra conducted by George Cleve with Joshua Bell (violin) and Horacio Gutierrez (piano). Mozart programme (Thur). Avery Fisher Hall. (874 2424)

Chicago

Ravinia Festival. Alicia De Larrocha piano recital. Albeniz programme (Mon); Jorma Hynninen baritone recital with Ralf Gothoni (piano). Schubert programme (Tue); Tokyo String Quartet with Ralph Kirshbaum ('cello). Schubert programme (Tue), Shostakovich. Borodin, Tchaikovsky (Thur). Highland Park (728 4642).

FINANCIAL TIMES
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Power politics in Poland

THE EXCELLENT news from Poland is that a full-scale political crisis is under way. With a bttle imagination, the climate in Warsaw today could be mistaken for that of Rome.

In his boldest move since the June elections gave Solidarity a sweeping victory, Mr Lech Walesa has offered the Peasants and Democratic parties posts in a Solidarity-led government. In doing so be is breaking his word to eubmit to a Communist-led government for the next four years until full democracy is brought in. But he is keeping faith with the Polish people.

The two parties in question have been political eunuchs for the entire post-war period. Both slunk under the wing of tbe newly formed Polisb United Workers Party (that is, the Communists) in 1948 and have been rewarded for their faithful inertia witb government posts and a carefully preserved half-life ever since. The Peasants claim to have had a large hand in stopping collectivisation of farms, the Democrats in preserving and speaking for a small business sector as well as providing a pre-Solidarity home for the non-Communist intelligentsia. But, as parties, they mostly made good footstools.

Now, there is a real possibility thet they will swell the tide of change. Mr Walesa's offer has, if nothing else, shown them thet their seats in the Sejm (lower house), where their position is now increasingly powerful and where the PUWP commands only 38 per cent of the seats to Solidarity's 35 per cent, give them a role analogous to that of West Germany's Free Democrats.

Both parties are now entering talks with Mr Walesa sceptically, with old hostilities near tbe eurfece, old scores etill unsettled, hut with a new awareness that they can help mould society, instead of simply being assigned a small hollow in Its pre-cast version.

Loyal support

With this power goes, or should go, a realisation that they do not know what authority they have. The Peasants and the Democrats, liks ths Communists, "won" their seats not in open competition with Solidarity but as part of the reserved coalition block. They can argue that their years of loyal eupport eecured important defences for Poland'e civil society, and that claim cannot be dismissed. But they are now paying for their ldentification, year by year, with the totalitarian regimes of Poland's post-war period.

Tbus a simple transfer of loyalty from government to Solidarity would be seen by the puhlic and by their own best elements as e piece of opportunism. They sbould bargain with Solidarity but shonld have ons demand of their own above those of ministriee or programmes – a demand for fresh and full elections in the near future.

Economic collapse

Electione would serve not only tha abstract needs of democratic principles, hut also the urgent needs of economic collapse. A Communist-dominated government, of the kind General Czeslaw Kiszczak is trying to form, will not get the sacrifice and discipline from society which must now follow. A coalition sncb as that suggested by Mr Walese – either in government or as a parliamentary majority supporting a non-political government of experts – with e fixed term of, say, one year and a clear programme of economic restructuring (on whicb there is anyway e broad consensus) would give the parties time to take each other's measure as partners, time to thrash out their own programmes – a process whicb may see both Solidarity and the PUWP splitting and re-aligning – and, above all, time to educate Poland's voters in the responsibility of choice.

That course has ohvious dangers because the situation is inherently dangerous, but it avoids further provoking a society which has demanded an end to communism. It allows the PUWP reformers a space in which to develop the social democratic party tbey say they want; It gives the Peasant and Democratic parties the opportunity to create a real hase, which they insist they want; and it forces Solidarity to evolve from a movement to s party or, more likely, to parties.

Poland is over-ripe for democracy. If it does not get it, its new fruit will fall, and rot.

Slow down, Mr Clarke

One of the trickiest questions facing the British Government is how aggressive a stance to adopt over reform of the National Health Service. Mr Kenneth Clarke, the Health Secretary, has vigorously promoted his white paper proposals and is known to want to press ahead with legislation this autumn. But his abrasive campaigning style has not been effective in winning support – either among the general public or within the medical profession. If tbe Government tries to move too fast, it risks provoking s storm of opposition during the run-up to the next general election. More important, the hasty implemenation of untested policies could also result in poorer quality care for NHS patients.

There is a strong case, therefore, for heeding the advice offered by the House of Commons Social Services Committee. The MPs eupport Mr Clarke's efforts to improve the management of resonrces within the NHS, hut caution against trying to introduce a market in bealth care in advance of establiehing the necessary infrastructure. The first priority, tbey suggeet, should be to get resource allocation, costing and auditing arrangements in place and working. US experience suggests this could take several years. During this period, the costs and benefits of the main white paper proposals – such as self-governing hospitals – could be demonstrated in a series of controlled trials.

Purchasing agents

The white paper's declared aim is to achieve e split between pnrchasers and providers of bealth care. Under present rulae, the roles are blurred: district health euthorities both hold budgets and provide care for their local populations. In the proposed system, districts would become purchasing agents, buying care from independent providers in both tbe puhlic and private sectors. In order to generate revenue, hospitals would have to compete for contracts offered by tbe pnrchasere, which would inclnde budget-bolding general practitioners.

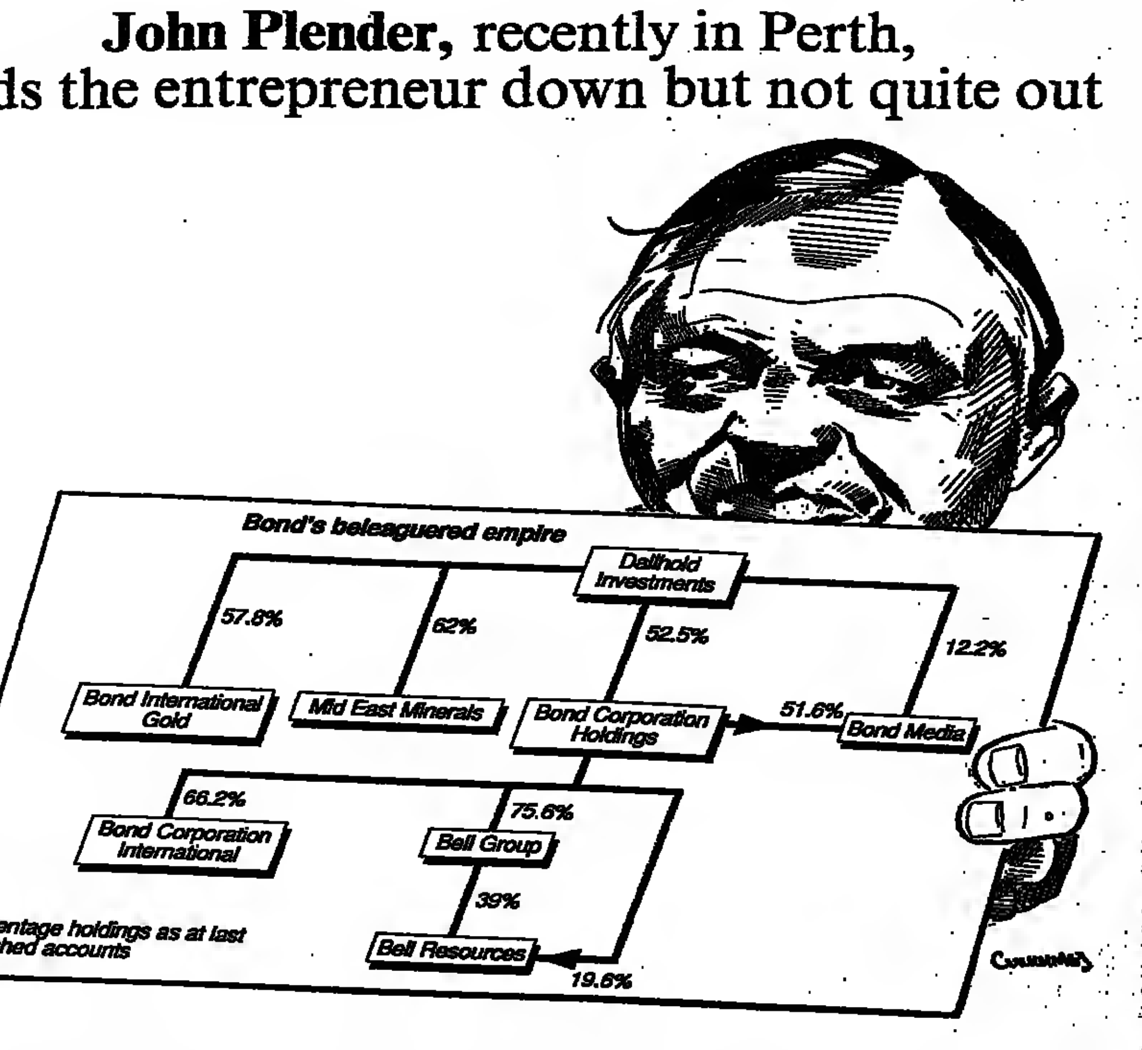
Ministers assume tbat the split between purchasers and providers would make the NHS both more cost efficient and more responsive to consumers. This might happen. But there are many potential hazards. In the first place, the structure of incentives throughont the NHS would be radically altered. At present hospitals get e fixed budget and strive to provide as much medical care as possible within its conatraints. Resources are allocated mainly on medical groonds. Bnt in tbe new system, providers would be able to retain surpluses – the size of which would depend on profits earned from contracts. It seems inevitable tbat financial imperatives would gradually gain precedence – as they have in the US.

Complex regulation

The Government may respond tbat the purchasing districts, buying services on bebalf of petients, would ensure that tbe providers hebave themaelves. They would exert some discipline; the question is whether it would be sufficient. Overseas experience suggests that suppliers of health care, once they enter a competitive environment, are adept at circumventing the controls imposed hy purchasers. in Mr Clarke's system, tha risk is that the big self-governing hospitals, with freedom to set their own pay scales, would end up with considerably more clout than the harassed purchasing agents. As the select committee notes, competing health care providers tend to require ever more complex regulation.

Mr Clarke bas emphasised that his aim is to improve the performance of the NHS, not to jeopardise its existence. Yesterday's report appears to accept that privatisetion is off the agenda. But it is wortb noting that the combination of a fixed health care budget, set by the Treasury, and competition between snppliers could prove explosive. Self-governing bospitals will be public corporations subject to e string of Whitehall controls. What could be more natural than thet some will eventually demand to be privatised? Tha white paper reforms need not result in the break-up of the NHS, but they can be regarded as a step in this direction.

John Plender, recently in Perth, finds the entrepreneur down but not quite out



Alan Bond sells for survival

Precarious it may be. But is the debt-laden empire of embattled entrepreneur Alan Bond really going to become the most spectacular of Australia'e long and impressive list of corporate bankrupts?

Since R.W. "Tiny" Rowland's Lonrho group first alleged that Bond's companies were collectively insolvent, the pressure has clearly been mounting. And because much of Bond's financing has come from such international lenders as Hongkong and Shanghai Banking Corporation, First National Bank of Boston, Standard Chartered and Merrill Lynch, this is no parochial Australian matter.

Yet Alan Bond and the handful of close lieutenants who appear to have assumed a higher profile since the bankers' nerve ends started to twitch are nothing if not robust. On the 45th floor of Bond's monumental headquarters building in Perth – which seems immoderately out of keeping with the group's present financial circumstancee – Bond Corporation's chief executive Peter Beckwith last week put a notably bold face on his gronp's predicament.

"It's all bullshit," he says of Lonrbo's assessment of tbe Bond finances. And outside estimates that put the Bond empire's net debt at more than A$10bn (£4.8bn) and Bond Corporstion'a debt at around A$7bn? "Billions out," comes the riposte.

What Beckwith is not prepared to do is to give his own figure for the debt. Nor does be deny that Bond is under siege. And with the preliminary results for the year to June 30 dne ont by September 30 at the latest, an unusually tense audit is now under way.

Bond Corporation'e anditors, Arthur Andersen, have already bed the disconcerting experience of being invited to the offices of Australia's securities watchdog, tbe National Companies and Securities Commiselon (NCSC). "We've had detailed discussions abont their conduct of the audit," says NCSC chairman Henry Bosch, "and we're watching tha situation with care."

The survival of the group turns critically on Andersen's accepting that Bond Corporation is a going concern, capable of meeting its obligations as and wben tbey fall due. That has been in question since the beginning of July when e tremor ran through the markets after Bond failed to meet its commitment to refinance $200m of junk paper issued by its US subsidiary G. Heileman Brewing, America's fourth largest brewer. Together with the late payment of dividends and an apparent failure by Bond Corporation to repay a loan to its quoted Hong Kong affiliate, this technical default caused many of Bond's bankers to review their lending to the group.

Beckwith admitted last week that there had been some withdrawal of support by the banks. But the Bond Corporation still had "normal relations with a number of banks in the world," he added, and the management still had a free hand with asset disposals. As for the technical defaults, he pointed out that the late payments were within legally permitted limits. Bond Corporation, he said, had never been in hreach of a legal obligation on monetary payments.

All this is consistent with the picture of Alan Bond as a man who pays (and often overpays) first and worries about the financial arrangements later – a picture that was reinforced at a court case in London last month where it emerged that Bond's top men not only failed to tell their own UK office which group company was buying more than a fifth of Lonrho's shares hut had no documentation for the transaction st all.

Yet this seemingly haphazard corporate culture did not deter an enthusiastic army of international bankers and investors from advancing money to a company whoss shares have largely been shunned by Australian institutional investors. Nor did the fact that Bond had been on the brink of collapse in the mid-1970s. The result is an extraordinary ragbag of an empire, in which bankers have lent money to finance everything from post-impressionist works of art to a telephone company in Chile, from airships in the US to a private university in Australia.

And Bond Corporation has an extraordinary balance sheet to match. In the last published accounts, shareholders' funds of A$1.9bn were completely wiped out if intangible assets such as the value of Heileman's brand names and television and radio licences are excluded. That suggests that the bankers were hugely advancing money to individual subsidiaries or projects without regard for the wider group picture.

The complex debt structure that results from this bankerly tunnel vision does not make for easy unwinding. In the main, property and share stakes have been financed by secured loans, while other assets have been financed with a variety of instruments ranging from unsecured junk bonds to non-recourse bank loans, whereby the banks have no redress against the parent company in the event of default by a subsidiary. But most of those loans – with the exception of the debt in Heileman – do have cross-default clauses. That means that a single bad loan can cross-infect the rest of the group.

None of this would have mattered if the group's much publicised philosophy of using cash flow from brewing to meet the demands of Alan Bond's cash-hungry acquisitions had worked. But Bond Corporation admits that Heileman is losing money, even after implementing its controversial accounting policy of carrying forward marketing expenditure in the balance sheet – though group chief accountant Chris Bennett insists that this deferred expenditure is insignificant in relation to group profits. Meanwhile the profitable Australian brewing interests, including Swan, Castlemaine XXXX and Tooheys, have seen some loss of market share.

At the same time debt servicing requirements were uncomfortably increased last year when the regulatory authorities forced Bond Corporation to extend a full bid to shareholders in Robert Holmes à Court's Bell Group. Bond ended up offering A$2.70 a share for a company with net assets of A$1.19 a share, or a negative net worth if Bell Group's associate, Bell Resources, was included at market value. As well as saddling Bond Corporation with A$500m of debt, this weakened the balance sheet further by introducing a huge goodwill item.

In those circumstances, retrenchment was clearly in order. Hence an attempt last year to sell Bond Corporation's brewing interests for A$3.5bn to Bell Resources. This would have worked wonders for the Bond Corporation balance sheet; but the deal has been stalled by demands for more information from the Australian Stock Exchange amid allegations from analysts that the brewing interests are over-priced. The Stock Exchange and the NCSC are also concerned over the recent revelation that the cash-rich Bell Resources has lent A$900m to Bond affiliates including Bond Corporation.

In the meantime, Bond's giant corporate variety store has been conducting a global asset sale, with the goods already disposed of including a stake in Standard Chartered, the Bond Centre office development in Hong Kong and a valuable share of Central Queensland Coal Associates, to name but three. Yet Alan Bond could not resist a simultaneous buying spree for low or non-yielding assets, among them the troublesome stakes in Lonrho, the St Moritz Hotel in New York, the Compañía de Teléfonos de Chile and a big commitment to the Kwinana petrochemical plant in Western Australia.

With the preliminary results for the year due out by September 30, an unusually tense audit is now under way

This activity helps explain the widespread perception that the Bond group is heavily dependent on the proceeds of capital sales to meet debt servicing obligations. Since solvency turns critically on asset values, the question is how much future disposals will raise and what attitude the auditors will take to asset values in the interim. According to the NCSC's Bosch, this is likely to be the subject of "agonising discussions" between Bond and Arthur Andersen. It has already been the subject of a complex and heated debate between Lonrho and a handful of Australian analysts. Some are Bond groupies; others are convinced that Alan Bond is the world's biggest minus billionaire.

The assets that pose obvious difficulties include:

● The television and radio interests. Last month the Australian Broadcasting Tribunal declared Bond not fit and proper to own the company, a verdict which Bond is contesting in the courts. The saleability of Bond's stake in British Satellite Broadcasting, which has substantial future cash needs, is questionable.

● The Lonrho share stake. Attempts to sell the shares earlier this year found no takers.

● G. Heileman Brewing. A combination of losses and the failure to meet targets in Bond's own five-year business plan is bound to raise questions about the carrying value of Heileman's brands in the balance sheet.

● The petrochemical project, where the Western Australian government is demanding a reduced role for Bond Corporation in reportedly "robust" negotiations.

On the positive side, Bond Corporation has a host of saleable assets. Yet its ability to extract high prices is not helped by the general perception that Alan Bond is a forced seller. All eyes are on the huge Chifley Square development site in the centre of Sydney, where an imminent sale by tender may show how far the recent collapse of Hooker Corporation has affected the property market.

Nor, necessarily, is Bond helped any more by the existence of large minority shareholdings in quoted group companies. Since much of the borrowing in Alan Bond's private master company Dallhold Investments is secured on shares in quoted subsidiaries and associates which have plunged over the past 18 months, there is pressure on Dallhold to sell assets to service its debt; and contingency plans exist to sell mineral interests to Bell Resources if the brewery deal fails. Yet the securities watchdogs have been closing in on such potential conflicts of interest. So, too, has the credit rating agency Australian Ratings, which not only gives an exceptionally low "CCC" rating to Bond Corporation, but accords the same rating to the healthier Bell Group and Bell Resources on the ground that their affairs are inexorably linked with those of Bond Corporation.

Meantime, fellow entrepreneurs are casting a vulpine eye over the Bond group's assets – though what help they will offer is a moot point. Australia's business culture is distinctively egalitarian and many prominent business people feel that with his boats, planes, Irises by Van Gogh, English manor house and controversial offshore tax arrangements, Alan Bond needs cutting down to size – though preferably not via receivership or liquidation, which would be harmful to the international image of Australian business.

So the humbling of Alan Bond is giving a fair amount of pleasure to those who enjoy the peculiarly Australian sport of cutting what are known, down under, as "tall poppies". The September quarter day, on which interest payments are due, and the publication of the annual accounts are awaited with high anticipation. Yet for Bond it may prove to be a journey from hubris to not-quite-nemesis. For the consensus in Australia is that the existing management is making a better fist of asset disposals than any liquidator would do – which, some might think, is far more than the bankers deserve.

OBSERVER

Racing on Sundays?

■ Christopher Haines has been appointed to the new post of Chief Executive at the Jockey Club, the governing body regulating all forms of amateur and professional horse racing in Britain. And the betting is that one of his tasks will be to seek to lohby for the introduction of Sunday racing.

Haines was formerly chairman of the sugar industry company ED&F MAN and is chairman of the UK Sugar Merchants' Association. He has a reputation of successfully lobbying for the industry in Westminster and Whiteball and recently persuaded refiners to mount their first higadvertising campaign in 30 years.

Now 50, be is a long time racing fan, raced himself during National Service and rode out for the trainer, Toby Balding. At the Jockey Club be will work in tandem with the Marquess of Hartington, the Senior Steward. The full-time post, starting in October, is tbought to carry a six figure salary.

London life

■ Awake in the middle of the night to the sound of rainfall. Glad about that. Sound is very pleasant and haven't beard it for a long time. Good for the garden. Remember that even if it is still pouring in tbe morning, it won't be too difficult to get to tbe office because the Underground strike has been called off.

A few hours later: arrive at the Underground station only to find it closed because of flooding. After lunch: stopped raining. Underground seems to be running, three circle line trains signalled to be coming within a minute of each other. Then station announcement: "There will be no more circle line service until further notice." Overbear Underground staff quarrelling with eacb other. One of them says: "The central line will be stopped as well in a minute." "Who are you?" another man asks him. Third man eppears: "And who are you?" "I'm the driver." Third man gets back into central line train whicb has stopped half-way down the platform and drives it off.

Read in the evening paper thet there might be a break-away union of militant drivers called the New Association of Train Operators. It will be known as Neto.

Anglophile

■ A little-noticed fact about Toshiki Kaifu, Japan'e third Prime Minister this year, is that be has quite close links with Britain. He was deputy chief cabinet secretary wben tbe Queen visited Japan in 1975 and played a large role in tbe arrangements for tbe visit. in return he was awarded with the KBE.

Kaifu has also been e long standing member of the Jepan-Britisb Parliamentarians League and was a founder member of the 2000 gronp of Japanese and Britisb poiltical and business leaders formed five years ago to discuss issues of mutual long-term interest. He and his family live in e flat only a few streets eway from the British Embassy in Tokyo and, as Japanese television viewers could see during interviews witb him there early this week, a large British flag hangs on the wall in his study.

Poor Nick

■ The US Treasury Secretary is called Nicholas Brady. But ha seems not to have made much of an impression on tbe world press, which insists on calling him James, possibly after his predecessor, James Baker, or a one-time press secretary to Ronald Reagan, Jim Brady. The Reuter News Agency did it again yesterday. The correction did not much help either. It called him Nicholas Brasy.

"Nice place to visit, but I wouldn't like to live there.

Diplomatic golf

■ Whether two women in the new Japanese cabinet can redress the accumulated years of political neglect by the ruling party is e moot point. But one of them, Mayumi Moriyama, the new environment minister, was herself not so long ago the victim of a singularly egregious act of discriminstion.

Moriyama likes to play golf. Thus, some five years ago, when she was parliamentary vice-minister for foreign affairs, it seemed quite natural to her that ahe ahould play in the annual golf tournament between the Japanese foreign ministry and the Tokyo diplomatic corps. It did not, however, seem so normal to the exclusive club where the event was held. The club did not allow women to play and refused to make exceptions for her, or indeed for her bureaucratic colleagues, who were conspicuously relnctant to plead her case. They played – and ehe didn't.

However one politician, not Japanese, was able to capitalise on what became a very public affair. Henry Cisneros, then, and still, mayor of San Antonio, Texas, happened to be in Tokyo and was due to see Moriyama. He had come laden with presents from home – Navajo shawls for the women and Texas-made golf putters for the men. The temptation to switch was irresistible.

Buster's error

■ Buster Mottram, one-time bright bope of British tennis and subsequently better known for his right-wing political ambitions, is not making any claims for his prowess at investment at the moment.

Yesterday he launched into an impassioned diatribe against the board of Dominion International at the agm of the troubled finance, property and natural resources group which also happens to sponsor tennis players.

Afterwards he cheerfully admitted his error in buying his shares. "I thought any company foolish enough to invest in British tennis must be doing extremely well," he said. "It just goes to show how wrong you can be."

The meeting was appropriately held in Wimbledon. The ehares have recovered from lower levels recently and closed at 68p yesterday. In spring 1987, when Mottram picked them up, they stood at about £1.

Here to stay

■ Graffito in London'a Kilburn: "Immigration is the sincerest form of flattery".

FT writers examine the lessons of the British Army's 20 years in action in Northern Ireland

Two decades of soldiers in the streets

HERALDED in the media, awaited with some trepidation by British authorities, next Monday marks two decades since the British Army was sucked into Northern Ireland's troubles.

Like the troubles themselves, its impact is uneven. Much of the province carries on as a more or less normal part of the UK. But young men and women who have already finished college now remember no other normality than one in which soldiers have been a permanent presence, their patrols, check points and searches part of day-to-day civilian life.

A resident garrison of 2,600 had already been reinforced when troops were first called out "in aid of the civil power." Three years later forces hit their peak – more than 30,000 soldiers including the newly-formed Ulster Defence Regiment. There are now 18,500, including the UDR.

With hindsight, officials say it was unavoidable in 1969 that troops should become involved, with the province's police forces unable to cope with mounting disturbances, and the Catholic community living in fear of reprisals. "We knew," they say now, "that it would be difficult to disengage."

There will be no commemorative balls, no mess parties, nothing at all that the British Army itself will be doing to register the 20 years since it first "went operational" in Northern Ireland.

In an atmosphere made tenser by the death of a schoolboy in Belfast early on Wednesday, apparently from a policeman's plastic bullet, it is only waiting for the Provisional IRA to mark the anniversary, before, on or after August 14. What, when or where, as always, is anybody's guess: that is the terrorist's constant advantage.

Who can claim to have forecast, when the troops first went on to the streets in Derry and Belfast, that they would still be there 20 years on?

Soldiers have now come to accept that there are no quick solutions, and none that the Army can achieve. The war – not officially a war but, as Harold Wilson once said, not a peacetime situation either – is not winnable in military terms. The most security forces can do is to contain it, hold the ring.

The Army's role has changed since 1969. Moved in to quell disorders stemming from sectarian strife, not terrorism, its task later switched to the combat against the Provisional IRA, formed the following year.

More than 10,000 regular and 6,500 Ulster Defence Regiment (UDR) troops – deployed at an additional cost, on top of the normal peacetime garrison, of £177m in the current tax year – are there essentially to help the police fight between 300 and 400 members of the Provisionals.

The Army has little involvement these days in maintaining public order. There is also terrorism by the Loyalist groups but that is not why the Army is there.

A short honeymoon with the Catholic population (it was 18 months before the first soldier was killed) ended with the build-up of violence and with the divisive effect of internment and with Bloody Sunday in 1972.

For the last 12 years the police have had the primary role in Northern Ireland security. The Army's brief is to give an improved Royal Ulster Constabulary (RUC) whatever military support it needs. This includes tasks that soldiers are supposed to do better, such as bomb disposal and route clearance.

Since the 1985 Anglo-Irish agreement the principle has been that troops should have policemen with them on operations involving direct contact with the public, house searches for instance, one of the biggest sources of aggravation. However, for other kinds of patrol the police are not always available.

Of the 2,762 people killed since 1969 in the troubles, 415 have been regular soldiers and 180 members of the UDR.

Northern Ireland has become a fact of British Army life. Ten regular battalions are there at any one time; 10 others are preparing, as much as two years ahead, to go there. This means that more than half Britain's infantry is either serving there, getting ready to serve or getting over serving.

Hardly any officer who is anybody has not been. Many have done several tours. However, such is the turnover rate in the Army that every time a battalion goes to Northern Ireland it is the first time for a large proportion of its soldiers.

Squaddies now patrolling streets or backwoods were not born, or only just born, when the situation arose. When soldiers join up they are told they will almost certainly go to Northern Ireland. The Army says: "They know that. They've opted for that. Nobody's twisted their arm to join."

On short-tour postings they go for four-and-a-half months – due to be extended to six months – without families. These are the intensive-duty "roulement" battalions. In addition to the two stationed in the hard nationalist areas of West Belfast and South Armagh, two more were added in 1986 to protect police stations and provide extra patrols.

They are now incorporated in border operations, for which another brigade – 3 Infantry Brigade, based in Armagh – was formed last year.

Officials indicate that Army strength will be brought back to the pre-1986 level "when appropriate." This would leave a regular army total of about 9,000, compared with a peak in 1972 of 22,000.

Six "resident" battalions are in Northern Ireland on two-year tours. Soldiers can take wives and families. Life for them, in some cases, is markedly relaxed.

There is more contact with ordinary people than the media tends to depict. Soldiers are not confined to barracks, although not all areas are "in-bounds." They are able to meet local girls and sometimes they marry them. It is not unknown for officers to choose to retire to Northern Ireland.

However, most local people usually only come across soldiers in uneasy situations, such as vehicle checkpoints which are seen as having mainly a deterrent value. The checkpoints rarely produce anything and the degree of interference is inevitably greater in Catholic nationalist areas.

The biggest brunt of unpopularity, however, is taken by the UDR, set up in 1970 after the hated all-Protestant B Specials were disbanded.

UDR members live at home and are trained only for their Northern Ireland job. It is the biggest and newest infantry regiment in the British Army and was as much as 18 per cent Roman Catholic in the early days but that proportion is now less than 4 per cent.

The UDR's full-time element has built up to 46 per cent, with part-timers filling in on night and weekend duties. Within the Army, the regiment has gained in prestige. It has more than 100 regular officers and NCOs, including the nine battalion commanders, who are carefully selected and regard it as a close second best to having their own regular battalion.

For regular soldiers, Northern Ireland is like a foreign posting. They are away from their regimental base and, in roulement battalions, their families. Talk of being "over here" or of "nipping back to the UK" is frequently let slip.

The Army itself has used these 20 sad years to learn and hone skills. It had counter-insurgency experience in places like Cyprus and Aden but techniques have been greatly refined, notably in gathering intelligence, obtaining forensic evidence and dealing with explosive devices.

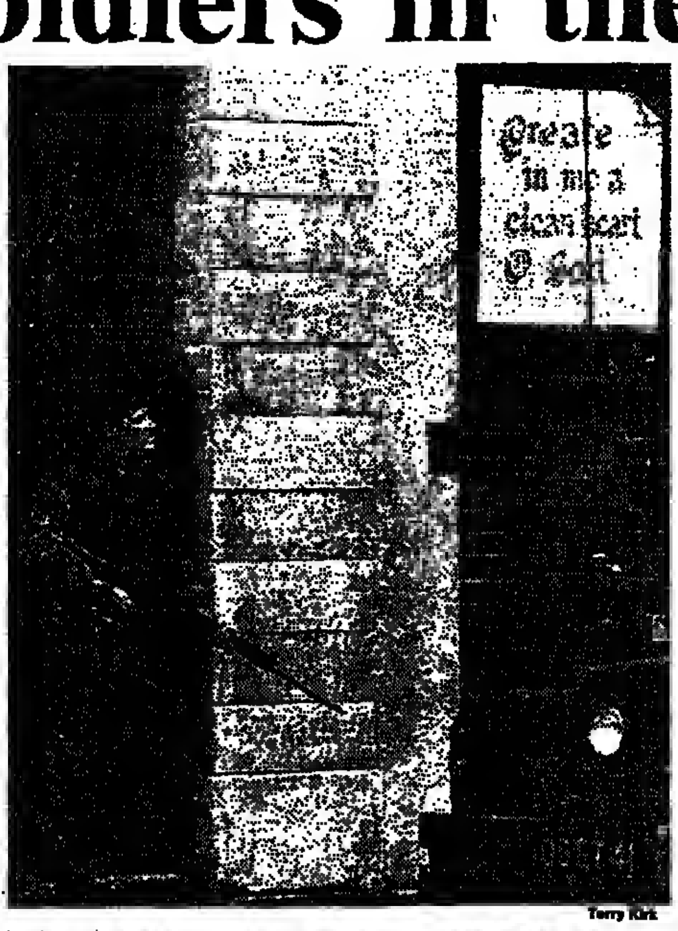
However, while its sophistication has grown, so has the Provisional IRA's. Prepared for the long haul, the Provisionals have been sustained by the conspicuous presence of British soldiers. Their own claim to the status of an army has been bolstered.

Although the number of shootings and bombings has fallen – hundreds, not thousands, each year – the Provisionals' hit rate has improved. It has current-issue weapons and is resourceful in improvising new ones. It is thought almost certainly to possess SAM-7 ground-to-air missiles.

The Army is crossing its fingers that it does not also have US-made Stingers, a missile that is easier to operate and that proved decisive in the hands of Afghan rebels.

The Army relies heavily on helicopters for reconnaissance and troop movements. If its helicopters started falling prey to missile attacks, it would change the nature of the conflict.

David White



Terry Kirk

A soldier in the early days of the Army's Ulster presence

When, at 5pm on August 14 1969, a company of the Prince of Wales Own Regiment entered Londonderry to assume "peacekeeping duties," the city looked as though it had just been through a raid by the Luftwaffe.

Riots had been going on for days. A cloud of CS gas seemed to be hanging permanently over the city. The shattered glass of a thousand petrol bombs was everywhere. Barbed wire stretched across streets. Buildings were gutted, cars burnt out.

Many things have changed in the city in the last 20 years. Londonderry is now a quiet, almost sedate place: there have been fewer incidents of violence in the last month than in any comparable period in the last 20 years.

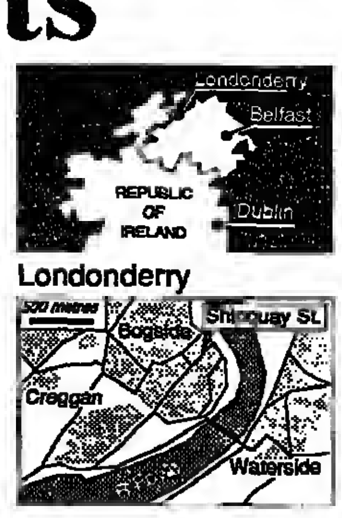
The politics of Londonderry has been turned on its head. Twenty years ago a minority Unionist population had gerrymandered ward boundaries to maintain council control. Now the nationalists rule.

Twenty years ago the Catholic estates of the Bogside and Creggan were grubby representations of the very worst of Victorian deprivation. Heavy public investment has rebuilt and refurbished whole streets and estates. Last week the last of the Rossville Street flats, scene of some of the worst rioting of 20 years ago, were being demolished.

On a bright morning, looking out over the River Foyle winding its way past the city, it is easy to feel that the troubles are a thing of the past; that, as the Government often argues, Northern Ireland is a normal place, its problems blown out of all proportion by IRA propaganda and media overstatement.

But Londonderry's problems are not at an end. Twenty years ago housewives in the Bogside and Creggan vied with each other to offer cups of tea and cake to the troops. Today Army patrols exchange few words with the locals. When it happens, there is usually abuse.

City centre shopping might seem normal. But there are still soldiers crouched at the corner, high-velocity weapons trained directly down Shipquay Street, the main shopping thoroughfare. House searches continue: road blocks are mounted constantly.



There are fewer than 100,000 people in Londonderry. The city never suffered the bitter sectarianism of Belfast. Yet it is more divided than ever. Over the years increasing numbers of Protestants have left the area around the old walled city and crossed the Foyle to the Waterside district. Numbers of Roman Catholics have moved the other way.

Mr Paddy Doherty was one of those at the forefront of the civil rights marches and riots of 20 years ago and helped organise the famous occupation of the Bogside and proclamation of "Free Derry."

He says now: "The saddest thing of all is that Catholics and Protestants have not rebuilt the city together. They (the Protestants) are now isolated on the other side of the river." Mr Doherty, 63, has been one of the driving forces behind the regeneration of Londonderry's city centre. A former builder, Mr Doherty has managed to involve the Protestant and Catholic bishops of the city, the Government and US fundraising groups in an Inner City Trust to rebuild bombed-out and neglected premises within the ancient city walls.

Derry had its name changed officially to Londonderry when the city was handed over to a group of London merchants in the 17th century. The settlement, or "Plantation," of Protestants dates from that time.

Many of the original merchants' buildings have been restored. Mr Doherty has also opened a special exhibition about the eight-month Siege of Derry in 1689 by the Catholic James II, an event still commemorated by Ulster's Protestant community.

"We should not allow history to abuse us. The siege is sacred to the Protestants. But if the truth were told it was all mixed up. I'm sure my ancestors would have been fighting on both sides." Mr Doherty has very definite views about present day events. "The Army has to go. It has no place here. We can't consummate the marriage between our two communities with the third party still in the bridal chamber."

Mr Doherty's rebuilding programme is not supported by everyone. In the old days Catholics would be locked out of the city walls at night. Protestants now say they are frozen out of their own city. Many Roman Catholics are cynical about the numerous community projects that have sprouted in the city.

These, it is said, have been used to hide the seriousness of the unemployment problem. Londonderry has always had high unemployment. But 20 years ago the jobless rate was only 12 per cent. It is now officially 24 per cent. In the Bogside, 75 per cent of males over 18 have no jobs. In spite of fair employment reforms and new political alignments, Roman Catholics are still twice as likely to be unemployed as Protestants.

Ms Goretti Horgan, of the EC-funded Derry Unemployment Centre, says there is still very real poverty in the city. "You really notice it going into homes, there is hardly any furniture or there might be no toilet paper or toothpaste. The heating is there but there is no money for fuel."

Little new industry is moving to Londonderry. Mr Tom King, the former Northern Ireland Secretary, recently came to the city to announce 300 jobs in the public service. The following week 280 people were made redundant in a reorganisation of public health catering services.

"Although it has suffered greatly over the past 20 years the heartbeat of the city and its people remains strong," says the local tourist guide. That is true: Londonderry has withstood a great deal over the last 20 years. But it still has more than its share of problems.

Kieran Cooke

LETTERS

'Priority: dividends'

From Mr D. O'Shea.

Sir, Lex had a lot of sensible things to say (August 7) about BAT and the £4 gap from a market price of £6 to a break-up value of £10, which created the *Hoylake* opportunity.

We would like to suggest that the whole situation could have been avoided if BAT had pursued a more generous dividend policy over recent years.

The point is simple. It starts from the structure of the UK market, which is based on much higher interest rates than the other big centres, therefore reflecting higher discount factors on future growth. Current income is more important in valuation.

Why do so few companies recognise this, in their policy (rather than in words)?

Take a bond. Nobody queries that the market price of a bond is related to current interest rates. A long-dated bond with an "asset value" (that is, a guaranteed redemption) of £100 and a coupon of 6 per cent will stand at £60 and a yield of, say, 10 per cent, if that is the going rate. The "asset value" is there, but not until it gets very near redemption will it affect the market price. If the bond coupon were 10 per cent, however, the market price would be at "asset value."

What is different about a share? Well, there is likely to be a "growth factor" in the dividend valuation. But it has to be significant enough – and certain enough – to overcome the naturally high discount characteristics of UK markets. Everyone accepts that an efficiently priced long bond cannot stand at its "asset value" if the coupon is lower than the going rate. Why should we be surprised that a *share is below* "asset value" if its "coupon" (that is, its dividend, including growth factor) is too low? You *would only* expect it to rise in price if it either distributed more, or promised a break-up.

What do we mean by "too low"? This can imply several things. It could be that the basic profitability is low, either through external circumstances in, say, a depressed industry; or that management is poor and unable to work the assets properly. This is clearly not the case with BAT.

It may imply, however, that profits are not being distributed on sufficient a scale to the shareholders; they may be merely piling up in cash or equivalent form, or being ploughed back into acquisitions at prices which absorb much of the cash flow.

There are grounds for thinking that both these factors apply to BAT. For years, BAT's distribution ratio has clearly been inadequate to close the gap between balance sheet estimates and present value to shareholders (the current £6 to £10 which Lex refers to.)

We are not offering this as criticism, merely as fact. We know BAT has an advance corporation tax (ACT) problem as an overseas corporation, and would find a high distribution expensive. But what would BAT ultimately have lost if its distribution ratio had been 60 per cent of earnings, instead of from 20 per cent to 30 per cent over the last decade?

Distributing more of your profits to shareholders raises your share price. There may be limits of prudence here, but these limits are nowhere near tested by most companies. The standard defence against high distribution – the need for reinvestment for future growth – is also greatly overplayed. If assets are profitable they can be financed by many other means than retentions. Companies fool themselves if they think that retentions are "cheap finance." They are not. They ultimately cost the standard rate, the "cost of capital," which is partly a function of the company's actual share price. High retentions depress share prices.

BAT may be the most dramatic example of this thesis, but there are many more. In BAT's case, it may be too late for management decisions to alter the structure, but other *companies'* boards could learn from it. We are not trying to tell companies how to run businesses, simply to remember the principles involved: if your business is up to the standard of profitability and generates surplus cash, make dividends your priority and think about finance for expansion (or for diversification) as a separate issue. Growth will not suffer if the profitability is right. And the chances of all these disruptive and unseemly "raids" on your assets will be greatly lessened. It would be better for all concerned.

D. O'Shea,
M&G Investment Management,
Three Quays, Tower Hill, EC3

Safe food requires enforcement

From Lord Ezra.

Sir, I was pleased to read your leading article, "A policy for safer food" (August 2). At the Institute of Trading Standards Administration's annual conference on June 27, as president of the institute, I called for just such an independent organisation as you propose: an Office of Food Standards and Safety, modelled on the successful Office of Fair Trading, to handle all matters of food safety, standards, labelling, within the overall framework of consumer protection.

The most important ingredients needed in the new Food Bill to improve food standards and enforcement include:

- A duty to provide safe food, as the Consumer Protection Act 1987 has, for all other consumer goods;
- Additional powers for trading standards officers and environmental health officers to carry out their enforcement functions in the factory and throughout the food distribution chain;
- Removal of the current warranty provisions in compliance with the European Food Control Directive;
- Introduction of an effective due diligence and reasonable precautions defence;
- Tighter controls to prevent misleading labels and advertisements;
- Making it an offence to have in possession for sale food which is not of the quality, substance, nature or composition described.

The practical test of the UK Government's resolve will be whether it is prepared to make available the necessary increase in enforcement resources.

Derek Ezra,
House of Lords,
Westminster, SW1

Directors' earnings compared

From Mr E.C.S. Balfrey.

Sir, It is often the practice *for public companies to* include in their annual reports performance comparisons of turnover, profits before tax, earnings per share and dividends per share covering the previous five- or 10-year periods.

In view of the astronomical increases in the remuneration *of company directors during* the past two to three years, it would be illuminating to include comparisons of the directors' total earnings, including perks and expenses, for similar periods.

This would at least put the matter in perspective. It will be interesting to see who will be the first to unveil.

E.C.S. Balfrey,
1 Broadfern Road,
Knowle,
Solihull, West Midlands

Royalty goes missing

From Mr Jeremy Strachan.

Sir, You report (August 8) that the recent New Zealand budget has won "widespread praise." But the owners of patent and trade mark rights relating to pharmaceutical products are unlikely to join in the general applause.

With no prior consultation or debate, an amendment has been made to New Zealand's Medicines Act which permits the government to bring medicines into the country without incurring any criminal or civil liability of any kind.

This amendment enables the New Zealand government to purchase pharmaceuticals outside New Zealand and import them for sale, ignoring the patent and trade mark rights of the companies which have invented these products and built up a reputation in them. There is no provision for any payment of royalty to the owners of intellectual property rights who have been thus expropriated.

This abrogation of private property rights extends to non-New Zealand companies, such as Glaxo, which are owners under New Zealand law of the patents and trade marks concerned.

At a time when the Uruguay round of the Gatt (the General Agreement on Tariffs and Trade) is seeking to improve levels of intellectual property protection worldwide, it is wholly unacceptable for the government of a prosperous developed country suddenly to pass legislation allowing the confiscation of private property by the state, without compensation.

Jeremy Strachan,
Group Legal Services, Glaxo Holdings,
Lansdowne House,
Berkeley Square, SW1

Fear of death sours the festival of Kandy

By David Houaago in Kandy, spiritual capital of Sri Lanka

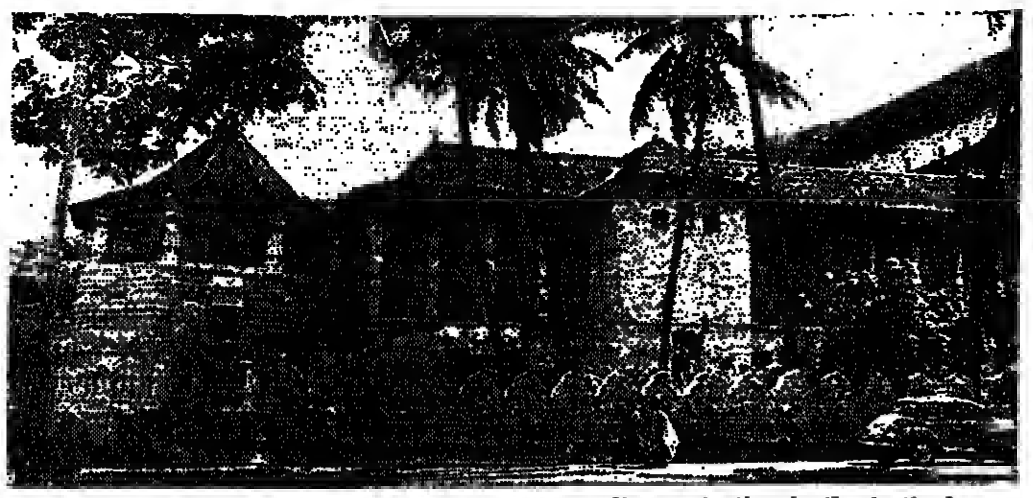
THIS is festival month in Kandy, the spiritual capital of Sri Lanka. At night priests, elephants, drummers and dancers traditionally parade through the streets to honour the relics of Buddha housed in one of the country's most sacred temples.

But there is none of that this year. Fears of bomb attacks by the JVP, the Sinhalese extremist organisation, in crowds that can number tens of thousands mean that the procession, or *perahera*, has been restricted to the inner walls of the Temple of the Golden Tooth.

Yesterday Mr Neranjan Wijeyeratne, chief custodian of the temple, received three anonymous calls allegedly from the JVP telling him to go ahead with the public procession that brings the ceremonies to a climax on Aug 16.

But with power in Sri Lanka today precariously poised between terrorists and Government, he was seeking as well the reassurance of further police protection. "We want to go ahead, but we are still uncertain," he said.

Over the past two months, Kandy, which earlier had escaped much of the violence of the south, has been sucked into the same fearful scenario. "We have never experienced such a situation before," says Mr Parakaram Ranasinghe, a civil rights lawyer.



Temple of the Golden Tooth: appeal for further police protection in the festival

He believes that 20-30 people a day are being killed in the Kandy region in the war between the JVP and security forces with both sides dumping bodies, often mutilated, by the roadside. He says that 1,500 people are being held by the army and police. "We don't know where they have been taken."

Peradeniya University, just outside the city, and one of the country's most famous campuses, lies closed with troops carrying automatic weapons guarding the entrance behind a mound of sandbags. The army raided the campus on July 12 in search of weapons and activists. A burned-out Jeep tells of earlier battles.

A resident foreigner says that his secretary is away from work because her uncle was shot by the JVP two days before. "When people you know are being killed, you realise how serious it has got." He lists the managers of tea plantations that he knows have been killed recently.

By fear and intimidation the JVP are close to running an alternative government in the town. "People obey them more than they would the Government, because they are afraid," says one official.

The JVP now appear to have their supporters placed in most government offices, state-run and private businesses. They can present a benign face telephoning a company politely but anonymously to remind it to close on days the JVP has called a strike. But they can be more brutal in their methods – last week burning three Jeeps of the International Irrigation Management Institute that were seen on the roads in defiance of a strike call.

Middle-class families get anonymous calls telling them that the details of their bank accounts are known and they should make a percentage contribution to JVP funds.

Action by the security and paramilitary forces against the JVP has intensified since the beginning of last month with the appointment of a new district police chief, Mr P. Udagampola, known for his toughness in the south. During curfew hours in the early morning, security forces in unmarked vehicles carry out raids on villages or residential quarters of the town.

Sometimes those they have taken into custody turn up as bodies by the roadside a few hours later. Mr Ranasinghe believes that with such police brutality the JVP "are gaining more sympathy."

Caught thus between the hammer and the anvil, people hurry home after six. Instead of the crowds that usually of an evening throng the city at festival time, the streets are deserted. Kandy cannot remember an August like it.

Italian drama plays to a new house

Alan Friedman in Milan describes how a middle-aged crêpe-seller has written another act in a 17-year-old plot of anarchy and death

IF YOU stroll along the promenade in the Ligurian seaside town of Bocca di Magra, a summer resort whose yacht basin is packed with sailboats and motor launches of every size and shape, you will come upon an innocuous-looking caravan from which a middle-aged man sells crêpes.

Night after night he is there, spooning chocolate sauce on to buckwheat and handing the tasty pancakes to eager passers-by. The heavy-set man, however, is no ordinary vendor: he has a secret few of his customers would suspect.

Leonardo Marino, once a militant worker at Fiat's Mirafiori car plant in Turin and now a dispenser of summertime crêpes, has admitted to having been a left-wing terrorist. Last year he walked into a Milan police station, said he was troubled by his conscience, and confessed to having played a part in the murder 17 years ago of a senior Milan police official, Luigi Calabresi.

This week, a Milan magistrate who has been investigating the shooting of Mr Calabresi all this time brought homicide charges against Mr Marino and three others who are accused of masterminding the killing as an act of political terrorism.

It is all the stuff of another era, of another Italy, an Italy which seems remote from today's prosperous, capitalist nation – even though Mr Giulio Andreotti was then, as now, Prime Minister.

The killing of Mr Calabresi in 1972 marked the beginning of a decade of violence by both left-wing and neo-fascist terrorists, the so-called "years of lead" that culminated in the kidnapping and murder by the Red Brigades of former Prime Minister Aldo Moro.

With the crêpe-seller's confession and the prospect of a trial, it looks as though the "new Italy" of the late 1980s is about to re-live a chapter from its squalid and not-so-distant past. It could be traumatic.

Luigi Calabresi was a controversial character: he was suspected by left-wing intellectuals of having killed Giuseppe Pinelli, a young anarchist, by pushing him out of the fourth-floor window of a Milan police station.

These left-wing intellectuals, including those who will stand trial in Milan, were members of Lotta Continua (Continuous Struggle), a precursor of the Red Brigades and an extremist left-wing organisation of students and workers with thousands of members.

One of the most famous Milanese leftists in the 1970s was a talented playwright, actor and satirist by the name of Dario Fo. And the alleged killing of Mr Pinelli inspired Fo to write a satire that became a long-running hit in London's West End and on Broadway.

It is, of course, difficult to imagine that many New York or London audiences would have understood all of the Italian nuances. The play was called "Accidental Death of an Anarchist" and the story of this "accidental death," which is about to be re-told in a Milan courtroom, is truly incredible.

Lotta Continua was formed in 1969, during the "hot autumn" of worker discontent. It was a time when the idea of "proletarian revolution" still seemed plausible to many left-wingers in Italy.

In December of that year a Milan bank was bombed by terrorists and 16 people died. To this day it is not known whether the bomb was planted by left- or right-wing terrorists. The police official in charge of the investigation was Luigi Calabresi who arrested a suspected anarchist, Giuseppe Pinelli, and took him into police headquarters for questioning.

According to the official report, Mr Pinelli jumped spontaneously to his death out of a window. His death was called suicide, but to Italian public opinion it was about as credible as another famous "suicide" – when Roberto Calvi of Banco Ambrosiano stuffed his pockets with bricks and hanged himself beneath Blackfriars Bridge in the City of London.

In 1970, a slogan was scrawled on a building across the street from Mr Calabresi's Milan house: "Calabresi: You too will be suicided!"

By 1972 the Calabresi-Pinelli case was anything but forgotten. The atmosphere in Milan was thick with tension, anarchy, gunfire. In March Mr Giangiacomo Feltrinelli, the millionaire publisher who financed left-wing groups, died mysteriously: he was said to have been planting a bomb that exploded by accident.

Mr Calabresi was put in charge of the case, and in May an anarchist arrested in Pisa while demonstrating against him was found suddenly and inexplicably dead inside police headquarters.

A few days later, according to the crêpe-seller's account, leaders of Lotta Continua including Adriano Sofri, an art historian, sent him and a fellow militant, a journalist, to kill Mr Calabresi. This was the incident that ushered in post-war Italy's most violent decade.

Last year, crêpe-seller Leonardo Marino confessed to the terrorist killing and Mr Sofri was arrested. Lawyers for the latter say Mr Marino's confession is riddled with contradictions. But this week, 17 years and two months after one of Italy's more traumatic moments, the crêpe-seller, the journalist, the art historian and another former student leader, now a businessman, were formally indicted and charged with the Calabresi murder.

The trial is expected to take place later this year, but already the atmosphere in Milan is thick with recriminations, denials and counter-charges.

And as so often occurs in such cases, whether they be the "suicide" of Roberto Calvi or the alleged involvement of the P-2 masonic lodge in the 1980 Bologna train station bombing, few Italians believe that the truth will ever be really known.

As for Mr Marino, he was back at his stand on the Ligurian Riviera this week, selling crêpes, awaiting trial and keeping his secrets to himself.

UK warned interest rates must stay high

By Peter Norman in London

REDUCING Britain's high inflation rate and large current account balance of payments deficit will be a protracted task with interest rates staying high, the Government was warned yesterday.

However, in separate reports, the Bank of England and the Paris-based Organisation for Economic Co-operation and Development differed strongly about whether existing policies were adequate for the job.

The Bank, in its latest quarterly bulletin, is satisfied that the step-by-step increase in clearing bank base rates to 14 per cent over the past year has brought the growth of domestic demand in Britain down to the level envisaged at the time of the Budget last March.

It stressed that wage pressures were a threat and interest rates may have to stay high longer than had been hoped, especially if sterling came under selling pressure.

The OECD urged the Government to tighten its fiscal policy beyond the level set in the March Budget.

The OECD report is largely based on economic data available up to May before evidence mounted that the credit squeeze was slowing Britain's overheated economy. But officials in Paris yesterday stood by their demand that the Government should adopt a "more ambitious fiscal objective" to bring inflation down.

The Bank, however, believes that the fiscal stance in Britain is extremely tight. This is despite a shift in the public sector finances to a £200m ($325m) deficit in the first quarter of the current financial year compared with a £1.6bn surplus in the same period of 1988-89 and the Bank's belief that the 1989-90 Budget surplus may turn out to be lower than the £14bn envisaged in March because of a large scale take up of subsidised personal pensions.

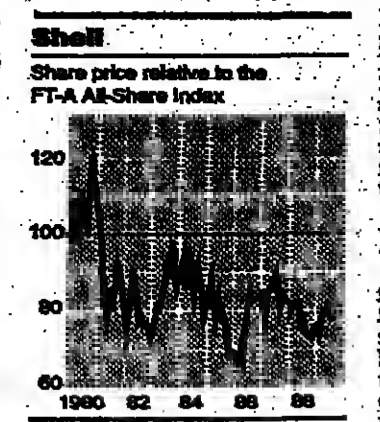
Although a reform of National Insurance contributions will put nearly £1bn of extra spending power in consumers' pockets between October and the end of the current financial year, the Bank still expects domestic demand will grow by only 2 per cent in the six months to the end of December. That would be in line with Budget forecasts and markedly below last year's 6.5 per cent growth.

Reports, Pages 6 and 7

THE LEX COLUMN

A tricky trio for big oil

The oil majors lived in the best of possible worlds in the first half of this year, with each of their three big earners booming together. The danger is that all three – which are meant to offset rather than mimic each other's movements – are about to move down together. The chemical cycle has already turned, as was plainly evident in the 30 per cent fall in Shell's chemical profits in the second quarter against the first; the fat refining margins of the second quarter are being squeezed, and crude oil prices are also off the top.



Even more unusual than these synchronised cycles is the fact that the downturn in each looks an uncharacteristically muted affair. As far as the oil price goes, the likely fall of a couple of dollars is a mere nothing by oil industry standards. In oil refining, margins may have tightened, but much of that can probably be got back at the petrol pump. While the oil companies had trouble passing on higher product prices to the motorist in the second quarter, failing to pass on lower prices is going to be much easier.

The more difficult question is what happens to the chemical cycle. While the City has been tempted to write off the majors' chemical profits altogether, the line from both Shell and BP is surprisingly upbeat. While the downturn this time will not be anything like as bad as last, Shell is sticking its neck out a bit in predicting that demand will be strong enough to mop up all the new capacity.

If there was any disappointment in yesterday's numbers it was that BP did not increase its dividend so as to protect its US investors. But while the company may intend to maintain both sterling and dollar payments, to do so religiously from one quarter to the next would be giving the changeable foreign exchange markets rather more power than they deserve.

Bank of England

Interest rates are not going to come down until inflation does, and that is not happening quickly. The message from the Bank of England's Quarterly Bulletin is so plain that it is going to be hard work this year starting the usual rumours about a base rate cut for the Tory conference. While the Federal Reserve may see recession as a bigger danger than inflation, the British central bank takes the opposite view for its own economy. It acknowledges the danger that the present policy might cause business confidence to snap suddenly, but seems to view that as a risk worth running. On the question of further rises in rates it is predictably reserved: but given its desire to prevent further inflationary falls in sterling, the chances are it would feel an increase was called for if the foreign exchanges wanted it badly enough.

Smith & Nephew

Excitement is not what Smith & Nephew is about. Its bathroom cabinet of brands – like Elastoplast, Nivea and Dr White's – have a middle-aged odour; and while its shares sit in the health and household category alongside Glaxo, Wellcome and Fison, they are scarcely likely to be enlivened by the zip of a Zantac, or a burst of bid speculation. Yet the company has great strengths; it is hard to see why, on a historic p/e of 15, its shares now lag so far behind the rest of the sector.

Of course, Smith & Nephew smudged its copy-book a little in 1988, when it ran into problems of weakening demand or intensifying competition in three areas: surgical gloves, denim and supplies to the UK's National Health Service. Yesterday's 18 per cent rise in interim pre-tax profits was hardly enough to restore it fully to favour, though at £64.4m they matched the City's expectations.

The plusses are that Smith & Nephew can reasonably expect stable growth in worldwide demand for healthcare products such as its surgical or orthopaedic equipment to translate into 15 per cent compound growth in earnings per share over the long term. Nor can one fault its strategy of diversifying by acquisition into higher-margin, higher-tech medical products such as the Ioptex lens business in the US. It has an impeccable record in assimilating its purchases: one must scratch one's head and think back to the early 1970s to find an example of a mistaken takeover.

Philips

Philips' interim figures are further grim evidence of the futility of trying to be a universal electronics company in Europe. Earnings per share for the six months are up by 34 per cent, but the rise is wholly due to exceptional profits, mostly on sale of businesses. True operating profit is down 25 per cent in the latest quarter, and the return on capital has slid to a dismal 4.1 per cent.

This suggests that shareholders' interests would be best served if the disposal programme were pursued to its ultimate conclusion; their return would be very much higher on cash in the bank. In a sense, the share price is already drawing that conclusion. At Fl 41.40, the shares are on a seemingly absurd multiple of 10 times this year's earnings, or perhaps 15 net of exceptionals. But the more relevant measure is the discount to assets – around a third in book terms, and much more in relation to market value.

Although Philips has taken steps to protect itself against takeover, this might not stand up in law against a determined bidder. Some kind of break-up would surely be the best outcome; for while the management is now belatedly realising some value through its disposal programme, the record suggests that it is not best qualified to spend the proceeds.

BTR Nylex

The 9p fall in BTR's share price yesterday in response to figures from BTR Nylex is a reminder of the extraordinary standards the Australian business has set itself. The 87 per cent rise in sales in the first half might be attributed to acquisitions; not so the identical rise in earnings per share. Nylex now contributes perhaps a quarter of BTR's net earnings, which might suggest that it is time for an acquisition closer to home. Whether rationally or not, a big UK or US deal might help the share price; Hanson's rating has lately risen to an uncharacteristic premium over BTR's, chiefly because of the Gold Fields deal.

Black gets top US military job

Continued from Page 1

The 52-year-old has earned the post by proving himself a loyal and efficient operator in the treacherous world of Washington politics. He served first as deputy, then as top national security adviser, during the last year of the Reagan Administration.

Mr Bush, then Vice President, admired the work Gen Powell did in helping restore the confidence and authority of the National Security Council staff after a battering during the Iran-Contra affair.

As national security adviser he also won respect as a smooth operator in Congress – important at a time of defence spending cuts – and overseas.

Two Germanies linked by air

By Haig Simonian in Leipzig

THE FIRST regular airline flight between East and West Germany yesterday boosted inter-German relations, which took a nosedive in the last three days following the closure of Bonn's refugee-packed diplomatic mission in East Berlin.

Yesterday's one-hour scheduled flight by Lufthansa, the West German flag carrier, from Frankfurt to Leipzig, inaugurated a twice-weekly service between the two cities.

The service will be complemented today by the first regular service between Leipzig and Düsseldorf flown by Interflug, the East German airline.

Mr Heinz Ruhnau, chief executive of Lufthansa and a tireless campaigner for improved East-West German air links, welcomed the first regular flights since the Second World War: "It is a big day for those of us at Lufthansa who have worked a long time for this."

Danzig-born Mr Ruhnau claimed he never gave up hope that Lufthansa would be given the right to fly regularly to Leipzig, a route it has sought since 1964.

Flying to Leipzig was "a clear and recognisable sign of our big and proud German company," said the Lufthansa chief, who used to be a former senior civil servant in the Bonn Transport Ministry under the then Social Democratic Government.

With the current frictions in East – West German relations clearly in mind, Mr Volker Hauff, a former SPD transport minister and currently Mayor of Frankfurt, said: "This small contribution will make [relations in] our Fatherland a little less difficult than before."

Neither Mr Ruhnau nor Mr Hauff referred directly to the recent stream of East German refugees to West Germany, which has sparked the latest crisis in bilateral relations.

Speaking on the apron of Frankfurt airport just prior to departure, Mr Ruhnau repeated his ambition that Lufthansa should also be allowed to fly to West Berlin, a route reserved for Allied carriers.

"Air traffic relations in our Fatherland will only be normal" when Lufthansa, "which was born in Berlin" regained the right to fly there, he said.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	27	81	Malta	S	30	86	Rhodes	S	32	90
Algiers	S	34	93	Edinburgh	F	20	68	Manchester	R	19	66	Rio de J'o	C	25	77
Amsterdam	S	23	73	Faro	S	29	84	Manila	C	32	90	Rome	F	29	84
Athens	S	31	88	Florence	C	27	81	Melbourne	S	14	57	Salzburg	S	21	70
Bahrain	S	36	97	Frankfurt	F	21	70	Mexico City	C	23	73	San Francisco	S	13	55
Bangkok	C	35	95	Funchal	F	24	75	Miami	F	27	81	Seoul	F	20	68
Barcelona	S	27	81	Geneva	F	23	73	Milan	S	28	82	Singapore		–	–
Beirut		–	–	Gibraltar	F	29	84	Montreal	S	15	59	Stockholm	F	22	72
Belfast	R	16	61	Glasgow	F	20	68	Moscow	S	22	72	Strasbourg	F	23	73
Belgrade	S	26	79	Guernsey	F	20	68	Munich	F	21	70	Sydney	S	17	63
Berlin	F	21	70	Helsinki	F	20	68	Nairobi		–	–	Taipei	C	36	97
Biarritz	S	27	81	H. Kong	F	32	90	Naples	F	30	86	Tangier	F	35	95
Bombay	F	29	84	Innsbruck	R	19	66	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	S	27	81	Inverness	R	17	63	New Delhi	F	34	93	Tenerife	S	28	82
Brussels	S	22	72	Islamabad	C	33	91	New York	S	18	64	Tokyo	S	31	88
Budapest	R	19	66	Istanbul	F	25	77	Nice	S	27	81	Toronto	C	14	57
B. Aires	R	17	62	Jakarta	C	33	91	Nicosia	S	28	82	Tunis	S	36	97
Cairo	S	34	93	Jersey	S	22	72	Oporto	F	19	66	Valencia	F	31	88
Cape Town	R	15	59	Jo'burg		–	–	Oslo	C	19	66	Venice	S	25	77
Caracas	R	26	79	Lima	C	19	66	Paris	S	24	75	Vienna	R	18	64
Casablanca	F	29	84	Lisbon	S	21	70	Peking	S	36	97	Warsaw	C	19	66
Chicago	F	16	61	London	F	24	75	Prague	F	21	70	Washington	S	17	63
Cologne	S	23	73	Los Angeles	C	17	63	Reykjavik	C	12	54	Zurich	F	21	70
Copenhagen	C	17	63	Luxembourg	F	21	70								
Corfu	S	30	86	Madrid	S	32	90								
Dallas		–	–	Majorca	S	31	88								
Dublin	C	16	61	Malaga	C	33	81								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UBS wins major stake in Nissan UK

Continued from Page 1

nies, has separated the Nissan concession for the wholesale distribution of vehicles, spare parts and forklift trucks (NUKH) from the retail, finance and transport businesses (AFGH).

Nissan Motor has previously held discussions with Mr Botnar with a view to regaining the UK franchise for its vehicles, but the negotations were abandoned without progress.

As a result of the restructuring, however, Mr Botnar has laid the groundwork for an eventual transfer of the franchise back to Nissan Motor, should this be sought, while maintaining separate influence over the lion's share of the dealer network and the finance operations.

Before the division of the company, Nissan UK's property and investments in subsidiary companies were drastically revalued. The audited NUK annual report does not disclose whether an outside agency was responsible for carrying out the revaluation.

Apart from paying its shareholders a £45m cash dividend for the financial year 1987/88, a 50 per cent increase over the previous year, Nissan UK also paid its shareholders an extra dividend valued at £168.9m in the form of property, shares in subsidiaries and loan stock.

These assets were used to form AFGH, the holding company in which Union Bank of Switzerland has acquired its 71.52 per cent stake for an undisclosed sum.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 11 1989

INSIDE

Index funds cause jitters in Japan

Increasing competition in the Japanese financial sector has encouraged the emergence of index funds, well known in the US but a new force in the Tokyo stock market. The funds track the performance of an index such as the Nikkei 225 using computer technology. They have raised fears that this kind of "passive" buying and selling could throw trading into turmoil. But even their exponents think that old-fashioned fund management, based on analysis and experience, will never go completely out of fashion. Page 38

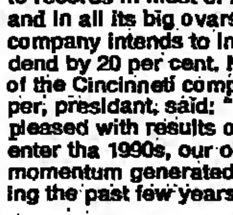
Kentish's house of cards

Present difficulties in the housing market have burnt a few people's fingers. But Miss Fredalinda Telfer, a 29-year-old software specialist, has been caught in higher flames than most — she has paid deposits of over £10,000 ($16,200) on two flats in the part-built Bow Quarter development in Docklands. Construction is now on hold following the collapse of Kentish Properties. One flat she is trying to sell — the second she planned to buy. Page 23

Squeaky-clean at P&G

Procter & Gamble, the big soap and detergent company, reported a sharp increase in profits for the three months to June. Having spent much of the 1980s suffering falling market shares in key brands, unit volumes increased to records in most of its US consumer divisions and in all its big overseas divisions, and the company intends to increase next year's dividend by 20 per cent. Mr John Smale, chairman of the Cincinnati company, and Mr John Pepper, president, said: "We are reasonably pleased with results of the past year. As we enter the 1990s, our objective is to build on the momentum generated within the company during the past few years." Page 19

Play stops for Borg's business



The Monte Carlo-based Bjorn Borg Design Group, which produces designer fashions and has Swedish property interests, is to close within a few months, putting its 10 employees out of jobs. Mr Borg has also said he will shut his Scandinavian company, Bjorn Borg Invest, and has promised to meet its debts from his own pocket, which is estimated to hold $100m. But he insists: "I remain committed to the business." Page 20

TV dinners direct from the farm

Intense competition between the giant food retailers such as Sainsbury's and Gateway has led to them buying produce direct from farmers. The resulting relationship is at the heart of today's retail trade in fresh produce as well as in the increasingly popular field of ready-prepared and so-called cook-chilled foods. And though some farmers have horror stories to tell of "trickery" and "fear," others — often large businesses — have done very well out of it. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Horten	287	+	4.8
Leifheit	578	+	16
Varta	402	+	17.5
Falls			
Daimler-Benz	815	−	7.8
Mannesmann	302	−	13
Springer Vlg.	564	−	14

PARIS (FFr)

Rises			
Euromarche	1958	+	30
Origny	411	+	9
Pechelbronn	1205	+	15
Falls			
Club Med	640	−	5
Havas	1075	−	8
Union Immob	619	−	20

NEW YORK ($)

Rises			
Prime Computer	38¼	+	1⅞
Procter Gamble	118¼	+	¾
Rochester Tel.	88½	+	8
Tambrands	72¼	+	4
UAL	253¼	+	9⅞
Falls			
Comp.Assoc.Int	17	−	2⅞

New York prices at 12.30.

TOKYO (Yen)

Rises			
Daiwa	1458	+	140
Nissin Food	3980	+	330
Pioneer Elect.	4340	+	380
Tokyo Toyota	1650	+	180
Falls			
Miyairi Valve	1550	−	180
Tokyo Rec.	1370	−	90

LONDON (Pence)

Rises			
AMEC	465	+	10
Amstrad	73	+	5
Cable & Wire	578	+	19
Comm. Union	410	+	8
Denby Grp.	165	+	3
Eurotherm Int.	363	+	16
Grand Met	632	+	4
Harland Simon	800	+	83
Laird Grp.	283	+	13
Magn.Jock.	215	+	8
Nurdin Peacock	189	+	6
Parkfield Grp.	449	+	25
Scot. & New.	404	+	9
VG Instr.	434	+	10
Westland	146	+	4
Falls			
BTR	419	−	9
Body Shop	410	−	5
Booker	452	−	10
Brit. Aero	704	−	8
GEC	276	−	5
Kingfisher	353	−	6
Ladbroke	321	−	5

Income for quarter soars 94% at Philips

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics giant, nearly doubled its earnings in the second quarter and is pondering a stock exchange flotation of part of Polygram, its music production subsidiary.

Net income soared 94 per cent to Fl 235m ($110.3m) or Fl 0.91 a share in the April-June period, from Fl 121m or Fl 0.47 a share a year earlier, largely thanks to lower financing costs. Philips repeated its forecast that operating income would rise in 1989 and net income from normal operations would show a "substantial improvement" over 1988.

Mr J.H. Goris, a member of Philips' group management committee, predicted yesterday that operating income would climb across the board in the second half of this year after tumbling 17 per cent in the first half.

Restructuring efforts are starting to bear fruit, particularly in consumer electronics, he asserted.

On the Amsterdam Stock Exchange, however, investors reacted sceptically, marking Philips down by Fl 1.20 to Fl 41.40. Never a paragon of transparency, Philips was even more opaque yesterday when it omitted figures on finance charges and non-consolidated earnings in its press release because there was "too little room."

Mr Goris did disclose that a minority stake in Polygram might be sold to the public this year. He said a final decision would depend on the stock market and on Polygram, which is digesting its recent acquisition of Island Records, a big independent record company.

Securities analysts expect 10-20 per cent of Polygram to be spun off, including the 10 per cent stake in institutional investors' hands, fetching upwards of Fl 500m. Between Fl 150m-200m will end up as a book profit, according to one analyst.

The proceeds are needed to help finance the purchase of Island Records, which is believed to have cost around £200m ($324m). Two years ago Philips announced plans to publicly sell 20 per cent of Polygram and list it on the US Nasdaq over-the-counter market, but the flotation was scuppered by the 1987 stock market crash.

In the second quarter, operating income dropped 25 per cent to Fl 513m from Fl 680m due in part to professional electronic products, where minicomputer sales margins were squeezed and restructuring provisions were taken in medical systems. Electronic components, where sales prices were under pressure, were also blamed.

Offsetting the sharp fall was a drop of 36 per cent in finance charges and a "net positive effect" from new calculations of the gearing ratio and tax rate in hyperinflationary countries. Mr H.H. Appelo, a group management committee member, revealed that finance costs fell to Fl 232m in the second quarter from Fl 507m in the year-earlier period.

Revenue edged up 4 per cent to Fl 13.55bn in the second quarter from Fl 13bn in the year-earlier period on across-the-board increases. But professional products lagged behind the company-wide average growth because of declining sales in defence systems.

Mr Goris confirmed that negotiations are continuing on the sale of Philips' defence activities but he vehemently refused to be drawn on the matter. Hollandse Signaal Apparaten (HSA) is likely to be sold for around Fl 1.5bn to Thompson of France, which is willing to pay for the company's know-how even though it is in the red, say analysts.

Philips could book an extraordinary gain of Fl 250m on the HSA disposal, one analyst estimated, adding that another "several hundred million guilders" could be made on the sale of a US defence subsidiary. The Swedish defence unit was divested in the second quarter, generating a Fl 38m extraordinary gain.

Also Philips is expected to book an extraordinary gain of up to Fl 400m on the recent sale of office space in Paris, although Mr Appelo refused to disclose a figure.

In the first half of 1989, net income jumped 36 per cent to Fl 458m from Fl 338m in the like period of 1988.

Shell and BP lifted by firm oil prices

By Max Wilkinson, Resources Editor

A FIRMER trend in world crude oil prices and a stronger dollar, with an unexpectedly buoyant market for petroleum products, helped to lift the second quarter profits of the two biggest European oil companies — Shell and British Petroleum.

Yesterday both announced large rises in after-tax profits as conventionally measured, on an historic cost of supplies basis. However, these included a large element of profit attributable to stockholdings, resulting from the increased cost of oil in sterling terms.

On a replacement cost basis, which excludes these gains and which the industry itself regards as a better guide to underlying performance, BP showed a relatively modest gain of 14 per cent in the second quarter, compared with the same period in 1988. Its after-tax profit on this basis was £371m ($601m) for the period.

Shell benefited more from the underlying improvement in trading conditions, with a 38 per cent improvement in the quarter's profit on a current cost of supplies basis (roughly, but not exactly the same as, replacement cost). If the stockholding gains are included, Shell's profit for the quarter rose to just over £1bn, 58 per cent higher than for the same period a year earlier.

BP's historic cost results for the quarter show a more modest 34 per cent rise to £477m. BP's results, however, exclude the one-off benefit of the sale of its minerals business to RTZ.

Shell, on the other hand, has benefited in its profit line from the general improvement in the minerals business. BP's exploration and production profits were also reduced by the sale of some of its interests in the Magnus and Ninian North Sea fields. This is part of the continuing programme of disposing of assets that it believes may be of more value to other companies.

Its crude production has shown a slight decline compared with a 4 per cent rise for Shell, whose lost production in the North Sea was more than outweighed by increased output from Nigeria, Colombia, Syria, Gabon and Denmark.

For both companies, the recent period of spectacular increases in profits from chemicals, which helped the integrated oil companies through a difficult period, appears to have come to an end, though the results remained good. Shell reported a £267m profit from the sector, which was £22m more than in the second quarter of 1988.

Goldberg says trading problems will continue

By Nikki Tait

THE BID defence by A. Goldberg against a hostile £35.7m ($57.6m) bid from Blacks Leisure, was dealt a serious blow yesterday as the Glasgow-based fashion retailer warned that its trading problems were continuing in the current year and said it would not be able to make a forecast.

Goldberg announced a couple of months ago that it had slumped to a £2.92m loss in the year to March 25 — compared with a £3.23m profit in the previous year — and cut the final dividend. In the annual report, it warned that difficult market conditions were persisting but suggested that there could be an improvement in the second half.

But yesterday Goldberg was obliged to announce that "sales have continued to fall short of targets and shareholders should be aware that the company is continuing to trade at a substantial loss."

It added that the scale of these losses meant that "the board believes that, even though it is not possible to predict the extent to which trading conditions may improve during the remaining eight months of the current year, market expectations of the likely outcome for the year will prove over-optimistic."

Analysts' forecasts have ranged between a small profit and a loss of up to perhaps £500,000 in 1989-90. The Goldberg statement is understood to imply that a loss for the full year is now expected. The company added that "given that future results will be highly sensitive to changes in sales volume and margins" it will not be practicable to make a profits forecast.

Although the announcement clearly removes a substantial plank from the defence, Mr Mark Goldberg said the company's attitude to Blacks' bid had not changed. It was the form of the bid — an all-share offer — which the group took exception to, rather than the industrial logic.

Blacks said the announcement proved the need for additional management at Goldberg. Its advisers added that the intention was still to progress with the offer, but that Goldberg's formal defence document would be scanned carefully.

State takes control of Wärtsilä Marine in plan to avoid closure

By Enrique Tessieri in Helsinki

WARTSILA, the big Finnish industrial group, is to relinquish control of its Wärtsilä Marine shipbuilding subsidiary, one of Europe's largest privately-owned shipbuilding businesses, as part of a tentative agreement with the Finnish Government to save the loss-plagued division from bankruptcy.

After almost two weeks of negotiations, the Government and Wärtsilä agreed late on Wednesday on a financing package that will ensure the delivery of all 60 vessels ordered until 1991 and secure about 6,500 jobs.

Mr Ilkka Suominen, Trade and Industry Minister, said: "This acute first-aid measure was necessary to save the company from bankruptcy and to restore international confidence in Finland's shipyards."

Wärtsilä has pledged "within the following weeks" to reduce its 70 per cent stake in the division to 19 per cent by selling its shares to "outside Finnish passive investors." Wärtsilä will incur a FM1bn ($234m) loss on its investment in the division, which became operational in 1987.

The company did not disclose who these investors are, but there is widespread speculation that this could mean one of the institutions that is temporarily helping to keep the shipbuilding company afloat.

These are Finland's Export Guarantee Board and State Guarantee Board, which will carry a 50 per cent responsibility for financing the company, and Union Bank of Finland (UBF) and Postipankki with 25 per cent in total. Wärtsilä and Valmet, the state company which owns 30 per cent of Wärtsilä Marine, will collectively have responsibility for the remaining 25 per cent.

Although the Government and Wärtsilä officials are careful not to mention any word about subsidies, the agreement is interpreted by analysts as a major shift in state policy.

"This is not a subsidy," said Mr Pekka Laine, Wärtsilä's president and chief executive, "but a transitional rescue operation."

Mr Laine blamed "external" factors such as EC subsidies for the company's acute financial situation.

Other factors include the lack of any new ship orders from the USSR in three years, rising inflation, labour shortages and the revaluation of the Finnish markka last March.

Beset by these problems, many analysts believed that it was only a question of time before the company would turn to the Government for help.

Wärtsilä Marine will form a new board of directors that will be made up of four Government members from the FGB and SGB; UBF, Postipankki, Wärtsilä and Valmet will be each represented by one member. The new chairman of the board will be a Government representative.

Wärtsilä officials were quick to emphasise that there is a bright future ahead for the company's remaining businesses in diesel engines, sanitary ware and security divisions.

Sea Containers
Operations and assets.
How will the group be split if the $824m bid succeeds?

Tiphook Share of bid~$426m

Will get:
- 180,000 special containers
- 100,000 basic dry cargo containers
- 7,000 chassis
- 15 cranes
- Container manufacturing facilities
- About 200 container repair & maintenance depots, mostly owned by third parties
- Freight forwarding of liquids
- Meat trading

Stena Share of bid~$398m

Will get:
- Two roll-on, roll-off freight ferries for conversion to 'jumbo ferries'
- 31 Sealink British Ferries ships & catamarans
- 5 Hoverspeed British Ferries hovercraft one cruise ferry on Venice-Istanbul route
- 26 ferry routes
- 7 ports Stranraer, Heysham, Holyhead, Fishguard, Newhaven, Folkestone and Harwich
- Installations (eg pierheads) at 4 other ports
- 42% stake in Isle of Man Steam Packet Company
- 11 container ships
- Ship management & naval architecture business
- 42% stake in Orient-Express Hotels Inc. Which owns & manages:
- Venice Simplon-Orient-Express trains
- Hotels, including Cipriani (Venice), Windermere Island (Bahamas), Vail Ranch Leisure Complex (Colorado)
- Windermere Steamship Company

Sherwood puts his faith in the value of his cargo

Andrew Hill on moves in the bid for Sea Containers

It has taken nearly three months, but on Wednesday Mr James Sherwood finally pinned his colours to the Sea Containers mast. That, at least, was how it appeared.

The president of the Bermuda-registered group revealed he was betting on the sale of assets and a distribution to shareholders as the most effective defence against the long-running hostile bid from Stena, the Swedish ferry operator, and Tiphook, a UK container rental company.

But although he has now ruled out alternative rescue proposals, such as a "white knight" counter-bid or a leveraged buy-out, Mr Sherwood's comments have again raised more questions than they have answered.

How much is an empty, six-sided, 20 ft-long cargo container actually worth? How much would a buyer pay for a ship to carry such boxes? Or for the right to operate a ferry between Harwich and Hook of Holland? Most importantly, how will Mr Sherwood realise his target of between $70 and $100 a share for investors, topping the Stena/Tiphook cash offer of $50 a share?

He has earmarked three parts of the group for possible sale:

- 100,000 dry cargo containers — the basic 20-ft boxes used for carrying any sort of unrefrigerated cargo from wheat to electrical goods;
- 11 container ships; and
- a ferry route — probably the Harwich-Hook service, operated by Sea Containers' subsidiary, Sealink British Ferries.

Sea Containers may also dispose of its 42 per cent stake in Orient-Express Hotels. An international hotel group would undoubtedly be prepared to pay a substantial premium to own and operate the famous train and luxury hotels, such as the Cipriani in Venice. But Mr Sherwood says the hotel interests would be sold to "an Italian company" in which he would probably have an interest.

Mr Sherwood once said that he would never sell Sea Containers to Stena and Tiphook — on the basis that they would replace middle management — but he is not ruling them out as potential buyers of these assets.

Indeed, Stena and Tiphook have already discussed the possibility with Sea Containers. Furthermore, Mr Sherwood believes Stena may be prepared to pay a premium for the Harwich-Hook ferry route because the Swedish company already owns Sealink's partner on the service.

If Stena turns down the route he says Sea Containers could sell another crossing to Stena or other buyers. Apart from the cross-Channel routes, which Sealink would probably want to retain, the group operates ferries between the mainland and Isle of Wight and between the UK and Ireland. Neither of the joint predators would comment yesterday.

In Mr Sherwood's favour is the fact that the market in rental containers is very tight. Sea Containers will keep its higher-value special containers. No-frills boxes such as the group wants to sell cost about $2,600 each new, and the price is still rising.

Back-of-envelope calculations by UK analysts suggest a price of between $1,000 and $1,500 for each of the second-hand units in the Bermuda group's fleet, including a premium for their good strategic location on both seaboards of the US. Sea Containers' principal competitors in the field — such as Itel, Transamerica and Genstar, as well as Tiphook — are already circling, in the hope of increasing their market share.

Adding some $150m for the container ships to the possible proceeds of the container sale and an estimated $10m for the Harwich-Hook ferry route suggests the programme might raise up to $19 a share for distribution to stockholders.

A lot may then hinge on US investors' confidence in the value of the residual businesses — which would make up the second part of the recapitalisation package.

If Stena were to sell its 7.1 per cent stake in Sea Containers, as threatened, the market price might drop below the $50 bid price, leaving Mr Sherwood struggling to make his $70-a-share recapitalisation target.

US arbitrageurs, thought to hold some 15 per cent of Sea Containers, are worried that Mr Sherwood may activate the recapitalisation plan only if the Stena/Tiphook bid looks like succeeding. So far, he has made no promises and investors are unconvinced by Mr Sherwood's comments to the press.

Shareholders would vote on any recapitalisation programme at the Sea Containers annual general meeting in New York, which is unlikely to take place until mid-September at the earliest — after resolution of a long-running Bermudan legal action brought by Stena and Tiphook.

For nervous investors who have held a stake in Sea Containers since Stena first declared its stake in March it looks like being a long summer.

UAL board prepared to 'explore' bid alternatives

By Anatole Kaletsky in New York

SHARES of UAL, the holding company for United Airlines, shot up again in heavy trading on Wall Street yesterday morning after Wednesday's late-night announcement that the company's board was willing to "explore all possible financial and strategic alternatives" in response to the $5.4bn takeover bid it had received from Mr Marvin Davis.

The company also revealed for the first time the details of Mr Davis' proposal. The offer was worth $240 a share in an unspecified combination of cash and new equity in the restructured firm.

UAL's statement specifically did not exclude the possibility of negotiating a sale or a friendly deal with Mr Davis. The California oil, property and entertainment magnate reacted warmly to the directors' stand.

"We are encouraged and look forward to meeting with the company and its representatives as soon as possible," he said.

On Wall Street, however, Mr Davis was not necessarily seen as the front-runner in what could turn out to be a large field of candidates for the acquisition of UAL. And although his offer price of $240 a share was 50 per cent above UAL's value a week ago, it was seen by many analysts as clearly below an acceptable "take-out level."

As a result UAL's share price advanced yesterday by another $8⅞ to $252⅞ after jumping by almost $25 the day before. Estimates of what the company might ultimately fetch in a leveraged takeover or management buy-out ranged as high as $300 or even $350 a share.

The other groups who are believed to be interested in buying United Airlines – the second largest domestic air carrier in the US and which has an extremely valuable trans-Pacific franchise – include Kohlberg Kravis Roberts, the big New York leveraged buy-out group, and Pan American World Airways, the struggling trans-Atlantic airline.

In accordance with its past practice, KKR would probably put itself forward as a potential partner in a buy-out led by Mr Stephen Wolf, UAL's own chairman, who is believed to be interested in a management buy-out.

This time, however, there could be several other competitors, including Mr Davis and his partners, proposing to arrange and finance a friendly management-led deal.

A key role in the UAL takeover is likely to be played by the pilots' and mechanics' unions, as it was on the buy-out of Northwest Airlines earlier this year. Their co-operation could be essential for the financing of any leveraged deal.

Hongkong Hotels disappoints

By Michael Marray in Hong Kong

HONGKONG and Shanghai Hotels, the luxury hotel operator controlled by the Kadoorie family which last year fought off a takeover bid from Mr Lo Yuk Sui's Cathay City group, has turned in a disappointing set of results for the first half of 1989, with net profits falling 4.5 per cent to HK$136.8m (US$17.5m).

Substantial losses on the New York Peninsula, formerly Maxim's de Paris, which was acquired for US$127m last August, were responsible for the earnings fall, with the hotel losing about HK$100m in operating costs and finance charges.

Hongkong Hotels' net profit would have been even lower had it not been for a sum of HK$40.2m written back to profit after a provision of HK$48.2m was made in the 1988 accounts relating to a local staff retirement scheme.

Turnover rose 29.6 per cent to HK$671.9m. Profits for the Hong Kong hotel operations, where the group owns the prestige Peninsula and the Kowloon Hotel, were up 21.4 per cent to HK$164.7m.

The second half could be more difficult because of an expected slowdown in growth in tourism after the crisis in China, as well as competition from a number of new hotels. However, Mr Hanmer Webb-Peploe, Hongkong Hotels managing director, said that both the group's hotels in the colony were currently performing well.

Mr Webb-Peploe said that delays in completion of retail facilities and a health spa in the New York property had made its performance worse than expected, adding: "You don't enter one of the toughest markets in the world and expect a bonanza overnight."

The company said in a statement that the second-half results were unlikely to be materially different from the first half. According to Mr Webb-Peploe the group would press on with expansion in Hong Kong and overseas.

Hongkong Hotels, which also has interests in residential property and the recently modernised Hong Kong Peak tram, is now more than 60 per cent held by the Kadoorie family after making a cash offer to shareholders while fending off last year's challenge from Cathay City.

A dividend of 6 cents per share has been declared, the same as for the first half of 1988.

Charge pushes Harris into $52m loss

By Our Financial Staff

HARRIS, a Florida telecommunications and defence equipment supplier, is in talks to sell its data communications and office systems businesses, taking a hefty $86.8m write-off on the planned disposal which pulled the group into the red in its latest quarter.

The net loss for the final three months to June was $52m compared with a profit previously of $1.8m. In the 1988 quarter an $11m charge was made on discontinued operations.

For the whole year, after a $94.8m write-off, Harris showed profits of $21.8m, down from $100.5m the year before when an accounting change brought a $35.1m gain.

Sales were strongly ahead at $768.3m for the fourth quarter against $471.8m, and $2.25bn for the year, up from $1.84bn.

Interest expenses force McCaw deeper into red

By Anatole Kaletsky

McCAW Cellular Communications, the small Washington state cellular telephone company which is making a $6bn bid for LIN Broadcasting, announced a net loss of $87.5m in the second quarter, sharply higher than the $61.7m it lost a year ago.

However, the company's revenues expanded by 64 per cent to $120.1m, maintaining the rapid growth rate the company has recorded since early 1987, when it began its aggressive acquisition of cellular franchises all over the US.

McCaw's result for the first six months of 1989 showed a net loss of $185.2m, compared with a loss of $123.1m the year before. Its revenues grew by 57 per cent to $222.2m.

The company said the increase in its net loss for 1989 was primarily due to high interest expenses as a result of additional debts taken on at the end of the 1988 second quarter. McCaw also blamed higher depreciation and amortisation costs associated with the acquisition and operation of its cellular systems.

Because the use of cellular telephones is still extremely underdeveloped in the US, no company is expected to make any profits in this business in the near future and analysts tend to regard quarterly results as irrelevant.

Wall Street has concentrated instead on the potential profits which cellular groups might make in the distant future and have therefore valued the companies on the basis of the populations in their franchise areas. Under US law all cellular franchises involve two competitors.

In February McCaw sold a 22 per cent equity stake in the company to British Telecom for $1.5bn, providing it with new capital to finance further acquisitions.

Sigoloff retained by Hooker liquidators

By Chris Sherwell in Sydney

MR SANFORD SIGOLOFF, the corporate rescue specialist who turned round the Daylin and Wickes retail operations in the US, has been retained by the provisional liquidators of Australia's Hooker Corporation to try to rehabilitate its key US stores interests.

The move was announced after B. Altman and Bonwit Teller, Hooker's two Fifth Avenue retail groups, joined L.J. Hooker, the group's US holding company, in filing petitions for protection under Chapter 11 of the US Bankruptcy Code.

Mr Richard Grellman, one of two Peat Marwick Hungerfords partners appointed as provisional liquidators earlier this month, said the companies acted "because they were unable to reach a satisfactory agreement with [Hooker's] private lenders on a financing plan to restructure its unsecured debt."

He said a review of the operational and financial problems of the US Hooker subsidiaries, which have debts of US$1.2bn, had raised "serious questions" about their long-term ability to survive within the framework of their present operating conditions."

The Chapter 11 filing does not include Hooker's Houston-based Sakowitz Department Stores, Merksamer Jewellers of California or the Parisian department store chain of Alabama. Certain development and brokerage companies are also excluded, among them Retail Projects of Cincinnati and Retail Projects of South Carolina. For the groups specified in the filing it will provide protection against creditor and other lawsuits, and give them time to work out a plan for restructuring and repaying their debts.

The liquidators' swift move to retain 58-year-old Mr Sigoloff, a mercurial rescue specialist who has been dubbed "Ming the Merciless," will give some comfort to creditors and others anxiously hoping to extract something from Hooker's collapse. But it will be some time before the full impact of the expansion into the US undertaken by Mr George Herscu, the Australian entrepreneur who was chairman and controlling shareholder of Hooker, is known.

Mr Sigoloff, a scientist by training, began in the mid-1970s by taking Daylin, a womenswear and household goods retailer, out of Chapter 11. In 1982 he arrived at the diversified but struggling Wickes, put it into Chapter 11 in order to strip it back to its core home improvement and automotive products businesses, and then brought it back to profit and out of court protection within three years.

LTV interim returns to black despite second-quarter slide

By Our Financial Staff

LTV, one of the big three US steelmakers, emerged in the black in the first half to June but took a dent in the second quarter from what it described as a disappointing loss by its aircraft products division.

Separately, Cyprus Minerals, the resources group, said it had agreed to a $505m settlement for claims it filed against LTV. These were subject to approval by the bankruptcy courts, under whose protection LTV has been operating for the last three years.

LTV made no immediate response to the statement from Cyprus, which said the claims related to coal supply contracts, adding that the actual amount it would receive would depend on approval for the steelmaker's reorganisation plan.

With 1988 results restated for an accounting change, LTV's interim net profits emerged at $106.9m compared with a loss of $2.01bn last year, when a particularly heavy special charge was taken.

Sales were down at $3.28bn against $3.94bn, reflecting the disposal of some steel operations.

In the second quarter alone, earnings were $30.3m, a quarter of the previous $123.9m, on revenues of $1.66bn against $2.06bn.

Among sundry write-offs stemming from its continued financial straits LTV took a pre-tax debit of $50m in the quarter and $75m in the half from estimated cost increases in aircraft development programmes. These included work for the Boeing 747 and YA-7F.

LTV said there was also a $30m special charge relating to the aircraft group's flexible composites centre which resulted from costs incurred before construction of the facility was halted early this year.

Contributing to the lower profits was a $43.7m decrease in steel operating income resulting principally from the downsizing of these operations. LTV said its steel facilities – now focused on flat-rolled and tubular products – were operating at 90 per cent of capacity. Higher costs and lower volumes were partially offset by improved selling prices, but new orders were now falling.

Showa Shell Sekiyu falls as import costs escalate

By Our Financial Staff

SHOWA SHELL Sekiyu, the Japanese oil refining and distribution affiliate of Royal Dutch/Shell, yesterday reported a 60.4 per cent fall in pre-tax profit to Y5.61bn ($40.8m) in the first half after a significant increase in import costs caused by the yen's depreciation earlier this year.

Net profit for the period was Y4.78bn, down from Y8.16bn, although sales rose 4.1 per cent to Y630.7bn on strong demand for petrol and heavy oils. Sales of vehicle fuels rose 1 per cent to Y280.6bn.

The company is redesigning domestic filling stations in an attempt to cut costs.

In spite of a significant streamlining of operations and diversification, including interests in property and car rental, the company expects that fluctuations in oil prices and currency values will remain a serious problem.

An official said that "we can't get the impact of the higher costs transferred into product prices."

The company forecast that pre-tax earnings for the full year would be about Y13bn, down from Y28.83bn in 1988 and well below an earlier estimate of Y25bn. Net profit are expected to be about Y9bn, down from Y10.69bn, and sales are likely to be Y1,300bn, up from Y1,231bn.

Yokohama Rubber ahead

By Ian Rodger in Tokyo

PRE-TAX profits of Yokohama Rubber, one of Japan's leading tyre and rubber products groups, rose 13 per cent to Y6bn ($43m) in the six months to June on sales up 6 per cent to Y124.9bn.

The company said sales of tyres, accounting for 70 per cent of total sales, rose 6.8 per cent. Sales of tyres for new cars were flat because of the rise of imports, but replacement tyre sales were strong. Exports, especially to North America, were buoyant.

Sales of other products rose 6.4 per cent to Y37.2bn. The company said sales of industrial goods advanced 2.5 per cent, with demand for conveyor belts, high-pressure hoses and sealing material satisfactory. Sales of aircraft parts climbed 17.2 per cent.

Net income was Y2.9bn compared with Y2.8bn in the first half of last year. The company is forecasting a profit of Y13bn for the full year, compared with Y11.7bn.

INTERNATIONAL COMPANIES AND FINANCE

Volvo Trucks in talks over pact with Enasa and Renault

By Robert Taylor in Stockholm

VOLVO TRUCKS, the world's second biggest global manufacturer of heavy trucks, is holding talks which may lead to co-operation agreements this autumn with Enasa, the state-owned Spanish truck company, and Renault Vehicules Industrielles (RVI), the French truck subsidiary of the state-owned Renault group.

If the talks prove successful, the outcome could be the creation of the world's largest heavy truck business. This would also solve Volvo's problem of excess capacity.

Mr Pehr Gyllenhammar, Volvo's chief executive, stressed at this year's shareholders' meeting in April that the company intended to deal with its lack of truck production capacity as soon as possible, both in western European and North American markets.

He said that Volvo was entering a "new phase of growth with new ambitions" and added that he believed the company "could be twice as big by 1995."

Over recent months the company has been exploring various options with other European heavy truck firms, involving either mergers and acquisition or collaborative agreements. The present negotiations with Enasa and RVI are being conducted separately. A company spokesman said yesterday it was too soon to say whether they would be successful.

According to an article in a Gothenburg newspaper yesterday, Renault is laying down stiff conditions for any deal with Volvo, which would involve losing control of its RVI operations, including Mack, its US subsidiary.

Renault wants to see closer co-operation between the car divisions of the two companies. At the moment Volvo and Renault, along with Peugeot, are working together on the manufacture of a six-cylinder motor for the Volvo 440. Moreover, earlier this decade Renault owned 15 per cent of the shares in Volvo cars, which were sold when Renault's finances worsened.

But Volvo is believed to be less than enthusiastic about Renault's intentions. It believes that any close collaboration on the car side could destroy Volvo's identity.

Interest rates erode profits at WestLB

By Andrew Fisher in Frankfurt

HIGHER short-term interest rates in West Germany further eroded the first-half profits of Westdeutsche Landesbank, the country's fourth biggest bank, which yesterday announced an 8 per cent drop in group operating profits and one of 10 per cent for the parent bank.

The bank gave no absolute figures, but said the comparison was with half of the full 1988 result. This would give a figure of DM428m ($228m) for the group operating result in the first six months and one of DM360m for the parent bank.

WestLB, the shareholders of which are the state of North Rhine-Westphalia and the regional savings body, said that partial operating profits in the first half, which exclude trading on its own account, totalled DM277m, a 29 per cent fall from the same period of last year. For the whole of 1989, WestLB said full operating profits would be below those of last year as a result of the impact of interest rate trends on refinancing costs.

Last year the group operating result slipped to DM930m from DM1bn, with the parent bank figure down more sharply to DM800m from DM900m. Bnt it expected again to be able to pay a 4 per cent dividend for 1989 on its recently increased share capital.

Interest earnings were down by 14 per cent to DM726m in the first half, while commission income, partly reflecting livelier securities trading, rose by 15 per cent to DM122m.

BTR Nylex doubles its earnings

By Chris Sherwell in Sydney

BTR NYLEX, a 62 per cent owned subsidiary of Britain's BTR – and Australia's third largest company – yesterday embellished its impressive growth record by reporting a doubling of interim earnings and sales and boosting its dividend.

Figures for the six months to June showed an after-tax attributable profit of A$226.3m (US$173.2m), up 113 per cent on the same period in 1988, on sales of A$2.45bn, up 87 per cent.

The Melbourne-based group, which is headed by Mr Alan Jackson, said it foresaw further progress in the second half based on current levels of order books, and declared an interim dividend of 10 cents a share, which compares with an adjusted 4.3 cents last year.

Overall, it attributed the improvement to "continued high demand for the company's products from the majority of markets and geographic regions that it serves," but the figures also confirmed the value of its ACI packaging group acquisition in 1988.

The results now also include a six-month contribution from Feltrax, the New Zealand group acquired last year from Equiticorp, the subsequently collapsed investment company. This has brought in a profit before interest and tax of A$78m, on sales of A$734m.

According to a breakdown from the group's divisions, the dominant plastics business showed a static performance as expected, generating operating profits of A$106m on sales of A$574m.

Profits from the packaging division, on the other hand, jumped to A$80m from A$31m on sales which rose to A$378m from A$150m. The glass, resources and textiles division ahowed a similar scale of improvement, as did building products.

Earnings per share of 21.1 cents are almost double the comparable adjusted figure of 11.3 cents last year. Gearing has meanwhile been reduced: net borrowings as a percentage of shareholders' funds stand at 38 per cent, down from 66 per cent in June last year.

On the stock market, BTR Nylex's shares finished in Sydney at A$5.76, up 4 cents, after initially dipping in line with a generally weaker market. At this level the price is still below its recent 12-month high of A$6.10.

Procter & Gamble posts sharp increase

By James Buchan in New York

PROCTER & GAMBLE, the big US soap and detergent company, yesterday reported a sharp increase in profits for the three months to June as the company continues to reap the benefit of a revitalised array of products.

Procter & Gamble, which for much of the 1980s suffered falling market shares in key brands, said that unit volumes increased to records in most of its US consumer divisions and in all of its big overseas divisions. The company said it intends to increase next year's dividend by 20 per cent to $3.60 and wants to split its stock into two shares.

In the June quarter, the last of the company's year, earnings increased 22 per cent to $171m or 99 cents a share on a 9 per cent increase in net sales to $5.43bn. The earnings increase would have been greater but for a $78m charge to profits to cover the closing of a plant in Chicago and other operations as part of a consolidation that concentrates factories on single products.

The strong fourth quarter gave earnings for the 1988-89 full year of $1.21bn or $7.12 a share, an increase of 18 per cent. Net sales rose 11 per cent to $21.40bn.

Mr John Smale, chairman of the Cincinnati company, and Mr John Pepper, president, said: "We are reasonably pleased with results of the past year. As we enter the 1990s, our objective is to build on the momentum generated within the company during the past few years."

In the US, net operating earnings were up 7 per cent at $927m, or by 16 per cent before the special restructuring charges. The US business, which spent the mid-1980s in a hard but successful campaign to recapture market share lost in detergent, diapers and toothpaste, saw unit volume growth in seven out of nine consumer divisions.

Overseas, earnings soared by 37 per cent to $417m, with broad-based growth both by country and product line. Procter said many countries saw double-digit volume growth.

RWE to increase payout after gain

RHEINISCH-Weatfälisches Elektrizitätswerk (RWE), West Germany's largest electricity utility, reports that rising profits in fiscal 1989 will allow it to boost its dividend from DM8 a ahare, AP-DJ reports from Frankfurt.

The group said sales jumped by 45 per cent in the year ended June 30 to DM38.9bn ($20.4bn) from DM26.9bn a year earlier, mostly because of the US$1.1bn acquisition of Deutsche Texaco (DTA) from Texaco of the US in 1988.

The DTA takeover added DM9.6bn to RWE's turnover, and the purchase of Harris Graphics contributed another DM514m, according to an interim report.

The company did not disclose any profit figures for fiscal 1989 and did not say what dividend it will pay.

Excluding the new acquisitions, sales rose 7.0 per cent from a year earlier.

In fiscal 1988 group net income had eased to DM766m from DM779m because of higher nuclear safety and pollution-control outlays, but the company forecast a rise in fiscal 1989 earnings.

Earnings at the group's electricity division benefited from a 3.2 per cent rise in sales to DM18.5bn, from DM17.9bn. But higher spending on environmental protection and a one-time charge due to cancellation of the controversial nuclear fuel-processing plant in Wackersdorf, Bavaria, cut into utility profits.

The oil and chemical business fully met management's expectations.

Newmont Mining to lift Peabody stake

NEWMONT MINING, the leading US gold producer, is to pay $57.5m for an extra 5 per cent shareholding in Peabody Coal, the biggest US coal group, Kenneth Gooding, Mining Correspondent, writes.

The stake is being acquired from Equitable Life Assurance Society of the US which is understood to have objected recently to changes Newmont wanted to make to a recapitalisation plan for Peabody.

That plan was scrapped last Friday but Newmont said yesterday that, once the latest share purchase was completed, probably in late September, it would go ahead with a recapitalisation of Peabody.

It said that whatever new recapitalisation plan was chosen it would expect to receive at least $400m in cash which would be used to reduce outstanding debt. The scheme would also result in Peabody incurring additional debt of at least $800m.

Newmont, which is 49 per cent owned by Hanson following the UK conglomerate's acquisition of Consolidated Gold Fields this week, already owns 49.97 per cent of Peabody.

The net effect of the previous Peabody recapitalisation would have been for Newmont to have retained its stake in the coal company while pulling $500m of cash from Peabody. It also would effectively have transferred some of Newmont's $1bn debt to Peabody. This was built np in 1987 when Newmont fought off an unwelcome bid by a group lead by Mr T. Boone Pickens, the corporate raider.

Marks and Spencer seeks Spanish link

By John Thornhill in London and Peter Bruce in Madrid

MARKS and Spencer has confirmed it is in talks to expand its operations in Spain by way of a joint venture with Cortefiel, a Spanish department store group.

The two companies are currently negotiating with Celso Garcia, another Spanish department store chain, to buy one of its stores in Serrano, a chic shopping street in Madrid.

Marks and Spencer already runs two retail franchises in Spain with the Galerias Preciados department stores, which form part of Mountleigh, the UK property group. One of these franchises is in Madrid and the other in Barcelona.

However, these franchises only operate as shops within shops, and the proposed joint venture with Cortefiel would be the first store in Spain to trade under the Marks and Spencer brand.

Cortefiel, one of Spain's leading department store groups, is controlled by the Hinojosa family. It owns half of a very successful bontique chain called Don Algodon, similar to the Benetton group. Celso Garcia owns 11 clothing stores in Madrid and Salamanca.

In 1987 its family owners sold out to Mr Jacques Hachuel, a financier who has since become a player in banking by taking a stake of just over 1 per cent in Banco Espanol de Credito (Banesto), Spain's third biggest bank.

Rheinmetall advances 23%

RHEINMETALL Berlin, the West German weapons and car component manufacturer, said pre-tax profit rose 23 per cent to DM79.2m ($41.6m) in the first half of 1989, from DM64.3m in the year-ago period, Reuter reports.

The group said it expected satisfactory business and earnings for the year. Interim group sales fell to DM1.14bn from DM1.35bn.

GPA Group surges 51%

By Our Financial Staff

GPA GROUP, the aircraft leasing and financial services group based at Shannon in the Irish Repnblic, reported a 51 per cent increase from $264m to $399m in revenue for the quarter ended June 30 1989. Net profits after tax were 53 per cent ahead at $52.5m.

Dr T.A. Ryan, chairman and chief executive, said the new financial year had started well and he was confident GPA could maintain significant growth in the present buoyant aviation market-place.

Earnings per share for the quarter rose 46 per cent to $9.52 from $6.53 and the dividend was increased from $1.20 to $1.60. Shareholders' funds increased by $191m during the quarter mainly through the issue in June of $150m of ordinary shares, purchased partly by existing holders and partly by new investors.

Hanson, the UK-based industrial conglomerate, took np part of the issue.

Privatbanken ahead 20%

By Hilary Barnes in Copenhagen

PRIVATBANKEN, the Danish bank, brushed aside a 14 per cent increase in first-half group costs to report an improvement of 20 per cent in profits to DKr289m ($39m) from DKr241m after provisions and depreciation. Provisions were down slightly to DKr269m from DKr311m last year.

Extraordinary income of DKr142m, largely from the sale of property, and a DKr219m gain on the value of the securities portfolio lifted pre-tax profits to DKr650m from DKr564m.

The bank said the return on equity was 9.9 per cent before extraordinary items and 22.4 per cent before tax.

The interim statement said profits for the year, before extraordinary items, were expected to be in line with last year's DKr523m. A substantial gain on security valnes was also expected.

Group assets increased to DKr113.9bn from DKr101.9bn over the year.

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INTERNATIONAL COMPANIES AND FINANCE

SKF surges 93% despite Latin American downturn

By Robert Taylor in Stockholm

SKF of Sweden, the world's leading roller bearings manufacturer, enjoyed a 93 per cent increase in net profits to SKr1.21bn ($187.3m) for the first six months, up from SKr626m in the same period of 1988. This follows a 32 per cent jump in net profits for the whole of last year.

SKF's sales also showed substantial growth, up by 21 per cent in the first six months from SKr10.55bn to SKr12.77bn. The company reported that demand was buoyant in most markets except Latin America, although there were signs of weakening demand in the US.

Mr Mauritz Sahlin, SKF's managing director, said yesterday that he expected group income in the second half to exceed the 1988 figure for the same period.

Rolling bearing operations are especially impressive. There was a 118 per cent growth in income for the first half, up from SKr459m to SKr977m, and a 21 per cent jump in sales from SKr8.87bn to SKr10.76bn.

The company said yesterday it was "accelerating efforts to increase its manufacturing capacity in the US in order to reduce imports from the remainder of the group." It added that income from orders at MRC Bearings, its North American company, as well as SKF Avio in Italy, continued to grow strongly.

Profits in SKF's component systems division have also risen strongly, up by 72 per cent from SKr98m to SKr168m, while sales advanced by 17 per cent from SKr1.42bn to SKr1.69bn.

The only setback for SKF has been in its tools division where sales rose by 7 per cent in the first six months, from SKr583m to SKr625m. However, income fell from SKr70m to SKr68m.

The company pinned most of the blame on Brazil where, it said, it had been adversely affected by economic developments. It added that the European operations of SKF Tools had shown a strong improvement in income over the first six months which, to a great extent, offset the weak trend in Brazil.

Bjorn Borg

Bjorn Borg bows out in Monaco

By Our Financial Staff

THE TROUBLED fashion-based empire of Mr Bjorn Borg is to close its Monaco headquarters. Mr Peter Smedman, the liquidator of the former Swedish tennis star's network of companies, said the Bjorn Borg Design Group in Monte Carlo would close within a few months and 10 employees would lose their jobs.

The Bjorn Borg Design Group produces designer fashions, shoes and accessories, and has property interests in Sweden.

Mr Borg announced last month that he would close the Scandinavian division of the international business he built from the profits of his 10-year tennis career, during which he won the Wimbledon men's championship five times. He promised to meet the debts of the company, Bjorn Borg Invest, from his personal fortune, estimated at $100m.

He also said he believed that the cost structure of the group was too high for its income, notably in Monte Carlo, although he added: "I remain committed to the business and am in the process of trying to reorganise the management and corporate structure of the group."

Mr Borg, 33, who retired from tennis six years ago, last month turned down a SKr30m ($4.6m) offer by Mercurius Group, a Swedish investment company, to buy into his group, which has a share capital of $6.3m, because, he claimed, the terms were not suitable to him as principal shareholder. "It would have meant surrendering financial control," he said.

The future of his international holding company, the Jersey-based Bjorn Borg Enterprises, which also has interests in the US and Asia, remains unclear.

Advance at Dominion Textile

By Robert Gibbens in Montreal

DOMINION Textile, Canada's largest primary textile and fabric producer, earned C$12.4m (US$10.6m) or 42 cents a share in the fourth quarter to June, up from $10.8m or 38 cents a year earlier. Sales were $397m against $355m.

Full-year earnings were $9.3m or 14 cents a share against $43.1m or $1.91 a year earlier. Sales were $1.4bn against $1.2bn. Average shares outstanding were 26.8m in the latest period against 19.7m a year earlier.

Restructuring of domestic and international operations led to a $38m charge in the fourth quarter. This meant a final loss of $28.8m for fiscal 1989 against a profit of $63.1m after extraordinary items in fiscal 1988.

The North American denim business strengthened in the fourth quarter and better overall conditions are being maintained so far in the first quarter of fiscal 1990.

However, the company warns that business may be affected later this year by a broad North American slowdown.

The Dominion board has adopted a shareholder rights plan to be used if there is an attempt to acquire control of the company.

The rights plan or poison pill must be approved by shareholders at the annual meeting on October 25.

● Journey's End, a fast-growing Canadian motel and hotel chain, has asked Wood Gundy, the Canadian stockbroker, to seek a buyer. The market value of the company was almost C$180m before trading in the stock was halted on Wednesday.

Wood Gundy said the Belleville, Ontario, chain would attract bidders from Europe and Asia besides Canada. The company is controlled by three senior managers led by Mr Maurice Rollins, who is chairman.

Journey's End operates 109 units in Canada and the north-east US and plans to expand in Australia and Europe. In the nine months ended April it earned C$5.6m or 53 cents a share on revenues of C$67m.

● Socanav and Caisse de Dépôt of Quebec, which are bidding jointly for the Steinberg stores chain, removed from their offer the condition that a minimum of 90 per cent of Steinberg's shares be tendered, AP reports.

They said they would now take up and pay for all shares tendered.

The group is offering C$51 per Steinberg A share and a competing bid by Oxdon Investments is offering C$53. Each group is bidding C$75 a common share. Socanav has an exclusive option to purchase 52 per cent of Steinberg's voting equity from the Steinberg family group.

Oxdon has taken court action to halt the Socanav offer.

Socanav said financing was available to pay for all shares deposited under its offer.

Saga Petroleum interim climbs to NKr151m

By Our Financial Staff

SAGA PETROLEUM, the Norwegian oil independent, reported yesterday a surge in first-half profits before extraordinary items and year-end tax adjustments to NKr151m ($21.7m) from NKr62m. Operating profit jumped to NKr384m from NKr45m.

Saga, which is Norway's biggest fully private oil company, said it expected full-year 1989 profits of about NKr300m, against NKr152m posted for 1988.

The company said the improved result in the first half of 1989 was primarily due to increased production of oil from its North Sea stakes and better oil prices.

Saga's share of Norway's North Sea oil production rose to 8.35m barrels in the first half, double the level in first-half 1988.

Failed General Shopping sees $14.20 payout

By John Wicks in Zurich

GENERAL SHOPPING, the Luxembourg-based investment company which went into voluntary liquidation in 1983, foresees payment of a final dividend of $14.20 per share from its remaining assets of $10m.

Following the expiry of a liability period under US law, the board of liquidators has freed risk provisions and decided to call two extraordinary general meetings in October. These would result in the final payment being made on October 25.

General Shopping, formed in 1962 to hold stakes in the international retail sector, had built up its capital before liquidation to $70.4m, in the form of 704,089 shares of $100 nominal value. Regular dividends during its active period amounted to $72.8m.

Since November 1983, liquidation dividends have amounted to $235.8m or $335 per share. The final payment will bring this up to $245.8m or $349.20 per share.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¾ 95	600	103⅛	103⅝	-0⅛	-1½	8.58
Austria 9⅛ 93	140	102½	103⅛	-0⅛	-1⅛	8.67
B.F.C.E. 7 92	150	96	96½	0	-1	8.67
B.F.C.E. 9⅛ 95	150	102⅝	103⅛	-0⅛	-1⅛	8.62
Brit. Tel. Fin. 9⅛ 98	250	103½	104	-0⅛	-1⅛	8.75
BP America 9⅞ 99	250	†104⅛	104⅝	-0⅛	-1⅞	8.99
Canada 9 96	1000	102⅞	103⅛	-0⅛	-2	8.57
Canadian Pac 10⅛ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.C.C.E 9⅛ 95	300	102¼	102⅞	-0⅛	-1⅛	8.64
C.N.C.A 9⅛ 93	150	101⅛	102⅛	-0⅛	-1⅛	5.81
Credit National 8⅛ 93	200	98⅛	99⅛	0	-1	8.55
Credit National 7⅛ 92	100	96⅛	97⅛	-0⅛	-1	8.69
Credit National 9½ 92	160	101⅞	102⅜	-0⅛	-1½	8.76
Dai-Ichi Kan 9⅞ 92	150	101⅞	102⅛	-0⅛	-1⅛	8.89
Denmark 7⅛ 92	500	96	96⅛	-0⅛	-1⅛	8.84
E.E.C. 7 91	100	96⅛	97	-0⅛	-0⅛	8.57
E.E.C. 7⅛ 93	250	96⅛	96⅞	-0⅛	-1	8.49
E.E.C. 10 93	140	103⅞	104⅛	-0⅛	-1⅛	8.64
Eurofima 10⅛ 93	100	†104⅜	105	-0⅛	-1⅛	8.51
Elec. De France 9 98	200	101⅛	102⅛	-0⅛	-1⅛	8.67
Elec. De France 9⅛ 99	200	104⅛	104⅛	-0⅛	-1⅛	8.77
Finland 9 96	250	101⅞	102⅛	-0⅛	-1⅝	8.59
Finn. Exp. Cd. 8½ 92	200	99⅛	99⅛	-0⅛	-1	8.68
Finn. Exp. Cd. 9⅞ 95	200	102⅞	103⅞	0	-1⅛	8.69
Finn. Exp. Cred. 10⅝ 92	100	102⅛	102⅞	-0⅛	-0⅞	8.98
Ford Motor Credit 8 91	250	†98⅛	98⅞	-0⅛	-0⅛	8.98
Gen. Elec. Cap. Corp. 9 93	500	†100⅛	101⅛	-0⅛	-1⅝	8.65
Gen. Elec. Cap. Crp. 10 1/2 91	300	102⅛	102⅞	0	-0⅞	8.78
G.M.A.C. 9 96	300	99⅞	100⅛	-0⅛	-1⅛	9.00
Gen. Mtrs. Corp. 9⅛ 92	200	100⅞	101	-0⅛	-1⅞	8.86
IBM Credit Corp. 8⅞ 91	250	100½	101	-0⅛	-0⅞	8.45
IBM Credit Corp. 9 92	250	101⅛	102⅛	-0⅛	-1	8.20
IBM Credit Corp. 9⅛ 92	250	101⅛	102⅞	-0⅛	-1	8.49
IBM Credit Corp. 10 92	200	103⅛	103⅞	-0⅛	-1⅛	8.48
Italy 9½ 95	1000	103⅝	104⅛	-0⅛	-1⅝	8.66
Italy 9⅞ 99	1000	105½	105⅞	-0⅛	-1⅛	8.78
Japan Dev. Bank 10 96	200	106⅛	106⅝	-0⅛	-1⅛	8.70
L.T.C.B. of Japan 9⅛ 92	200	100⅞	101	0	-1⅛	8.95
Metropolis Tokyo 9½ 93	200	102⅛	102⅛	-0⅛	-1⅛	8.63
Nippon Tel.&Tel. 9⅞ 98	250	103½	104	-0⅛	-1⅝	8.76
Norway 8⅞ 93	500	100⅞	101	-0⅛	-1⅛	8.47
Portugal 8⅞ 91	300	†98⅞	98⅞	-0⅛	-0½	9.14
Prudential Crp. 8⅞ 94	125	100⅛	100⅛	-0⅛	-1⅛	8.68
Sumitomo Bank 9⅞ 92	150	†101⅞	102⅛	-0⅛	-1⅛	8.89
Sweden 7 91	250	96⅛	97⅛	-0⅛	-1⅛	8.63
Sweden 8⅛ 96	200	100½	100⅛	-0⅛	-1⅛	8.58
Sweden 8½ 92	200	†99	99⅛	-0⅛	-1⅛	8.79
Toyota 9⅞ 91	200	101⅞	101⅞	0	-0⅛	8.66
Victorian Rep 11⅞ 92	150	106⅛	106⅝	-0⅛	-1⅛	8.85
World Bank 7 92	300	†96⅛	97⅛	0	-0⅞	8.42
World Bank 9 97	300	102	102½	-0⅛	-1⅛	8.60
World Bank 9 93	300	101½	101⅞	-0⅛	-1⅞	8.45
World Bank 9⅛ 98	300	103⅛	103⅝	-0⅛	-1⅝	8.67
World Bank 9⅞ 99	500	105⅛	105⅞	-0½	-2⅛	8.73
World Bank 9⅞ 96	300	105⅞	105⅞	-0⅛	-1⅛	8.60

Average price change... On day -0⅛ on week -1⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	96⅛	96⅛	+0⅛	+0⅛	6.76
Austria 6⅞ 99	750	99⅛	99⅞	0	-0½	6.83
Bank of Tokyo 5⅛ 93	100	97	97½	0	+0⅛	6.63
Commerzbank o/s. 5⅛ 93	300	95⅛	96⅛	0	-0⅛	6.71
Credit Foncier 6⅞ 99	500	99⅛	99⅞	-0⅞	-0⅛	7.85
E.I.B 5½ 98	150	91⅞	92⅞	0	+0⅛	6.74
E.I.B. 6⅞ 99	600	95⅛	96⅛	0	-0½	6.83
E.I.B. 6⅛ 96	300	96⅞	97⅛	0	-0⅛	6.68
E.I.B. 6½ 99	300	97⅛	98	0	-0⅛	6.84
E.I.B. 6⅞ 95	300	100⅛	100⅛	0	-0½	6.77
Euro. Coal & Steel 5⅞ 97	175	93⅞	94⅛	0	0	6.87
Eurofima 6⅛ 96	100	96⅞	97⅞	0	-0⅛	6.76
Elec De France 5⅛ 97	300	94	94⅛	0	-0⅛	6.71
Hydro-Quebec 6⅛ 99	300	99⅛	99⅛	0	-0⅞	6.83
Japan Dev. Bk. 5⅛ 95	300	95⅛	93⅞	0	+0⅛	6.78
Japan Finance 5⅛ 97	100	92⅞	93½	-0⅛	0	6.95
I.A.D.B. 7⅛ 99	300	102⅛	102⅛	0	-0½	6.91
Ireland 6½ 97	300	96⅞	97⅛	0	-0⅛	7.01
Ireland 7⅛ 99	500	100⅛	101⅛	0	-0⅛	7.08
Malaysia 6⅛ 94	150	96⅛	97⅛	0	0	6.99
Nat. West Bk. PLC 6 98	300	93⅞	94⅞	+0⅛	-0⅛	6.93
N.H.L. Finance 6⅛ 95	200	†96⅛	96⅛	0	+0⅞	6.95
Nippon Telg.&Tel. 6 95	400	98⅛	98⅞	0	+0⅛	6.19
Oesters. Kontbk. 5 93	300	94⅛	95⅛	-0⅛	+0⅛	6.69
Portugal 5⅛ 92	150	97⅛	97⅞	0	-0⅞	6.70
Portugal 6⅞ 95	150	99⅞	100½	0	-0⅛	6.60
Privatbanken 5⅛ 93	150	94	94⅛	0	-0⅛	7.08
Royal Insurance 5½ 92	300	96⅛	96⅛	0	-0⅛	6.97
Turkey 6⅛ 95	500	95⅛	95⅞	0	+0⅞	7.48
Union Bk. Finland 5½ 94	200	95⅛	95½	0	+0⅛	6.76
World Bank 6 98	500	94⅛	94⅞	0	+0½	6.78
World BK. 6⅞ 97	600	97⅛	97⅞	0	0	6.86
World Bank 6⅞ 99	600	99⅛	99⅛	0	-0⅛	6.84

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†95	95⅛	+0⅛	+0⅞	5.85
Asfinag 5 03	100	†92⅛	92⅛	+0⅛	+0⅞	5.79
B.F.C.E. 4½ 98	200	†93⅛	93⅛	+0⅛	+0⅛	5.44
B.M.W. Fin. Neth. 5 13	150	†88⅛	88½	+0⅛	+0⅝	5.92
Britannia B/S. 4⅛ 94	100	†90½	91½	0	-0⅛	6.47
CIR. Int. W/W 3 93	125	†96	97	0	-1⅛	3.98
Credit Lyonnais 4⅛ 00	100	†90⅞	91⅛	+0½	+0½	5.90
E.I.B. 4⅝ 98	150	†92⅛	92½	+0½	0	5.74
Fletcher Chall. 4⅛ 98	150	†85	85½	0	-1⅝	7.22
Kobe City 4⅛ 98	150	†92	92½	0	-0⅛	5.76
Leeds Perm. B/S. 4⅛ 93	200	†93	94	-0½	-1	6.14
Malaysia 5⅛ 98	100	†90½	91	0	+1⅝	6.66
Maxwell Comm. Crp. 5 95	150	†90	90½	+0⅛	+0⅞	7.09
Nat. Bk. Hungary 5⅛ 94	75	†93	93½	0	-0⅛	7.04
Nationwide Ang. B/S. 4 93	200	†92⅛	93	0	-0⅛	6.21
Nippon Telg.&Tel. 4⅛ 95	200	*93⅛	93⅛	0	0	5.49
Oesters. Ktbk. 5 03	75	†95½	95⅞	+0½	+0⅝	5.46
Prov. Newfoundland 5 03	150	†93	94⅛	+1⅛	+1⅞	5.60
Thailand 4⅛ 95	200	†94	96½	-1⅝	+1	5.59
World Bank 5 03	150	†92⅛	93	+0½	+0½	5.78

Average price change... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 93	80	101⅛	101⅛	0	0	5.14
Canada 5⅞ 93	80	101⅞	102	+0⅛	+0⅛	5.09
Eurofima 5 1995	20	98⅛	99⅛	0	0	5.20
E.I.B. 4⅞ 93	30	99	99⅛	-0⅛	0	5.14
Ireland 5⅛ 93	30	99½	100	0	0	5.19
Norway 5⅛ 95	50	100	100⅛	+0⅛	+0⅛	5.09
Sweden 4⅝ 93	50	98	98⅛	0	-0⅛	5.18
World Bank 5⅛ 98	10	98½	99⅛	-0⅛	-0⅛	5.30
World Bank 7 94	20	107⅛	107⅞	0	+0⅛	5.19

Average price change... On day +0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅞ 95 £	100	99⅛	99⅛	0	+0⅛	11.71
Argon 7⅛ 92 FL	100	102	102½	0	-0⅛	7.73
Alg. Bk. Ned. 5⅛ 93 FL	200	95⅛	96⅛	0	+0½	7.03
Austria 7⅛ 94 ECU	100	96⅛	96⅛	0	-0⅛	8.49
Bk. Nova Scot. 14⅞ 90 A$	75	†95⅛	96	-0⅛	-0½	18.39
Barclays Aus. 13½ 91 A$	100	96⅞	96⅞	+0⅛	+0⅛	15.35
Belgium 8⅛ 94 Ecu	150	97⅞	98⅛	0	-0⅛	8.62
BP Capital 9⅞ 93 £	100	94⅝	95⅛	+0⅛	+0⅝	11.50
British Airways 10 98 £	100	93⅞	94⅛	+0⅛	+0⅝	11.12
Comm. Bk. Aust. 12⅞ 93 A$	100	†94⅛	94⅞	-0⅛	+0⅛	14.61
Cr. Local France 9⅛ 92 Ecu	100	101⅛	102⅛	-0⅛	-0⅛	8.41
Deut. Bk. Aus. 13⅞ 93 A$	125	98	98⅛	0	+0⅛	13.92
Deutsche Bk. Fin. 15 94 A$	100	103⅛	103⅛	0	+0⅛	13.95
Eastman Kodak 13 90 A$	100	96⅛	96⅛	+0⅛	+0⅛	17.05
E.I.B. 7 96 LFr	100	†97	98	+0⅞	0	7.49
E.I.B. 9 99 Ecu	150	102⅞	103⅛	+0⅞	+0⅛	8.54
Eurofima 7⅞ 94 Ecu	100	97⅛	97⅛	0	-0⅛	8.30
Export Dv. Crp. 8⅞ 92 Ecu	100	100⅛	101⅞	+0⅛	+0⅛	8.24
Fed. Bus. Dv. Bk. 9⅛ 92 C$	75	†98⅛	98⅛	-0⅛	-2⅛	10.36
Fed. Bus. Dv. Bk 10½ 93 C$	50	100⅞	101⅛	-0⅛	-1⅛	10.12
Ferr. Stato 7⅛ 93 Ecu	100	96⅛	97⅛	+0⅛	-0⅛	8.65
Ford Cr. Can. 10⅛ 93 C$	100	†100⅞	100⅞	-0⅛	-1⅛	10.48
Ford Cred. Can. 10⅞ 96 C$	125	102⅞	103⅛	-0⅛	-1½	10.20
Ford Cred. Fund. 10⅛ 93 £	60	97⅛	97⅛	+0⅛	+0⅛	11.49
Ford Mtr. Cred. 7⅛ 93 Ecu	100	97⅛	97⅞	0	+0⅛	8.66
G.M.A.C. Canada 11 3/4 94 C$	100	104⅛	104½	-0⅞	-1⅞	10.52
Heineken 7⅛ 94 FL	150	103⅛	103⅝	0	+0⅛	7.50
Hydro-Quebec 11 99 C$	400	104⅞	104⅞	-0½	-1⅛	10.22
Lloyds Bank 10⅛ 98 £	150	94	94½	0	+0⅛	11.31
Lloyds Bank 11⅞ 98 £	100	97⅛	98	+0⅛	+0⅛	11.76
Montreal Tst. 10⅞ 93 C$	100	†99⅞	100⅞	-0⅛	-2⅛	10.69
Morgan Guar. Tst. 11 91 C$	150	†100	100½	0	-0½	10.69
Nat. Aus. Bk. 14⅛ 94 A$	100	99⅛	100⅛	+0⅛	+0⅛	14.63
New Zealand 9⅛ 93 £	100	93⅞	94⅛	+0⅛	+0⅛	11.58
Philips Gleoil. 6 93 FL	300	96⅞	97⅛	0	-0½	6.92
Privatbanken 7½ 94 LFr	500	†98	99	+0⅞	0	7.88
Royal Bk. Scot. 10⅝ 98 £	125	96⅞	96⅞	0	+0⅛	11.28
Saskatchewan 9⅞ 91 C$	150	†98⅛	98⅛	-0⅛	-2⅛	10.75
Saskatchewan 10⅛ 93 C$	200	99⅛	100⅞	-0⅛	-1⅛	10.22
State Bk. NSW. 13⅞ 93 A$	100	97⅛	97⅝	+0⅛	-0⅛	14.67
Sweden 15 94 A$	100	103⅛	104⅞	-0⅛	+0⅛	13.70
Toyota Mtr. Cr. 11⅞ 92 C$	150	102	102⅛	-0⅛	-1½	10.42
World Bank 13⅛ 92 A$	100	99⅞	99⅞	-0⅛	-0⅛	13.52
World Bank 14 94 N.Z$	75	105⅛	106⅞	-0⅛	+0½	12.16
Zentrspk. 13⅛ 93 A$	75	†97½	98	0	0	13.97

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	100.00	100.05	24/10	14.08
Bank of Greece 99 US	0⅛	99.66	99.76	8/09	10.62
Belgium 91 US	0	100.20	100.30	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.93	99.98	30/08	14.06
Credit Foncier 98 US	.063	100.20	100.30	20/10	10.16
Dresdner Finance 99 DM	.031	99.93	100.03	30/10	6.97
EEC 3 92 DM	0	100.45	100.55	22/08	5.63
Halifax BS 94 £	.1	100.09	100.14	9/11	13.97
Inv. In Industry 94 £	0⅛	100.09	100.19	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.15	100.20	13/10	14.06
Midland Bank 01 £	.1	98.43	98.77	15/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	100.02	100.07	29/09	14.31
New Zealand 5 97 £	.07	99.99	100.09	22/08	13.19
State Bk. New. 98 US	.188	100.37	100.47	14/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.21	100.26	13/10	14.06
Woolwich 5 95 £	0⅛	100.05	100.10	22/08	13⅛

Average price change... On day 0.00 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US	8/87	62.	122⅞	123⅞	+0⅛	3.86
Amer. Brands 7⅞ 02 US	9/87	56.7	138⅞	139⅞	+1	-1.07
CBS. Inc. 5 02 US	*4/87	200.	110⅛	111⅛	-0⅛	2.90
Primerica 5⅛ 02 US	4/87	66.75	74⅞	75⅞	+0⅛	82.35
Eng. China Clay 6⅛ 03 £	9/88	4.8	106⅞	107⅞	-0⅛	3.67
Fujitsu 3 99 US	5/84	1106.	242⅞	243⅞	+4	0.43
Ladbroke 5⅛ 04 £	6/89	7.1	103⅞	104⅞	-0½	127.05
Land Secs. 6⅛ 02 £	4/87	6.72	98⅛	99⅛	-0⅛	10.09
Minolta Camera 1⅛ 94 DM	2/86	1004.	109½	110⅞	-0⅛	6.21
MCA Inc 5⅛ 02 US	11/87	69.62	108⅛	109⅛	+0⅛	8.56
Mitsubishi Bk. 3½ 04 US	5/89	3266.	100⅛	101⅛	+0⅛	0.66
Next Plc 5⅛ 03 £	11/87	4.3	100⅞	101⅞	+0⅛	206.98
Nichi Hypo. Bk 2⅞ 03 US	4/88	804.	124⅞	125⅞	+3⅛	7.24
Omron Tateisi 2⅞ 02 US	4/87	1310.	286	287	+4⅛	2.51
Ranks Hovis 4⅛ 03 £	1/88	3.5	126	127	-0½	-2.69
Redland 7⅛ 02 £	1/87	5.4	109⅛	110⅛	-0⅛	2.59
Saatchi&Saatchi 6⅛ 03 £	110/89	4.41	94⅛	95⅛	+0⅛	31.27
Silicon Graphics 8 04 US	6/89	23.18	99⅞	100⅛	-0⅛	16.04
Sumitomo Bank 3⅛ 04 US	2/89	4296.	94⅛	95⅛	+0⅛	13.83
Texas Inst. 2⅞ 02 US	9/87	82.87	78⅞	79⅞	+0⅛	60.38
Utd. N'papers 8 04 £	10/89	8.77	112⅞	113⅞	-0⅛	105.71
W.R. Grace 6⅛ 02 US	9/87	42.12	96⅞	97⅞	+0⅛	17.60

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Strong demand for NZ state telecoms issue

By Andrew Freeman

NEW ISSUE activity and secondary trading on the Eurobond markets yesterday followed the pattern set earlier in the week, with very occasional new issues set against a background of thin trading.

Westpac Banking Corporation was the lead manager of a NZ$50m four-year issue for the Telecom Corporation of New Zealand (Overseas Finance), the state-owned telecommunications utility.

The deal was increased to NZ$75m after surprisingly strong demand.

The bonds offered retail investors a fat coupon of 13⅛ per cent and were priced to yield some 32 basis points at less full fees over the benchmark New Zealand government issue. The issue proceeds were unswapped.

In addition to the retail demand at which the deal was mainly aimed, there was unexpected interest from UK fund managers. The bonds were trading strongly at less 1.45 bid, well inside full underwriting commissions of 1⅞ per cent.

Nevertheless, several players commented that not enough attention had been paid to the possibility that the company might become part of the New Zealand Government's privatisation programme, raising doubts about the long-term integrity of the borrower's credit.

There was no clause relating to ownership in the documentation of yesterday's deal, and a Westpac official said that privatisation was currently a distant possibility. Other analysts argued that the ownership question might become relevant later this year, although there is also the possibility that the Government will sell only a minority interest in the company.

In Switzerland yesterday, final terms were set on the SFr100m equity warrants deal for Furuno Electric brought on Monday by Citicorp Investment Bank. The deal traded very strongly, with the cum-warrant bonds rising to 101 bid, a significant premium to the par issue price.

The warrants also put in a good performance amid widespread demand including interest from London brokerage houses. The warrant price rose from SFr300 bid to SFr325 bid at the end of the session.

The IBM SFr140m three-year bullet-maturity notes issue traded on the secondary market for the first time, and was quoted by Swiss Bank Corporation, the lead manager, at 99¾ bid, against a 101 issue price. At that level, the notes offered a yield of 5.53 per cent. Private investors were reported to be unlikely to sell their holdings at this level.

● Citicorp Investment Bank announced that it was underwriting a $75m international tranche of a US SEC-registered credit-card-backed deal for National Credit Card Trust. The five-year straight bonds will be priced on Monday or Tuesday next week.

The deal has a novel structure whereby credit enhancement is provided by a private placement tranche which will bear any first losses. Previous deals have used third party banks to provide the enhancement needed for a triple-A credit rating.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
NEW ZEALAND DOLLARS						
Telecom Corp. of N.Zealand◆	75	13⅛	101.90	1993	1⅞/1¼	Westpac Banking Corp.
YEN						
Skopbank(a)◆	3bn	7.2	101.862	1992	1⅞/1⅛	Mitsui Finance Trust Int
CIBC(a)◆	3bn	8	101⅛	1992	1⅞/⅞	Bankers Trust Int.

◆Final terms. a) Redemption linked to Nikkei stock index.

Turkey plans to develop its capital markets

TURKEY PLANS to introduce rating agencies and secondary bond trading to develop its capital markets, under legislation to be debated by parliament next month, Reuter reports from Ankara.

Mr Sukru Tekbas, the chairman of the Capital Markets Board, said the draft aimed at increasing public awareness of Turkey's fledgling capital markets, currently dominated by heavy government borrowing through Treasury bills and bonds.

Mr Tekbas said the new law would allow companies to raise cash through capital markets by issues ranging from real-estate-based securities to gold certificates, provided the system was backed by rating agencies and clearing houses.

The Capital Markets Board is also looking at the possible introduction of a stock exchange in the Aegean city of Izmir, he added. "Turkey's capital markets are young and I see a good future. A couple of years ago no company would come to the market to raise money, but things are changing now," he said.

At present few options exist for companies needing short-term finance through capital markets.

Treasuries slide ahead of bond auction

By Janet Bush in New York

GOVERNMENT BONDS

US TREASURY bonds continued to slide yesterday morning in advance of the 30-year bond auction and the sale of $15bn in cash management bills.

At mid-session, the Treasury's benchmark long bond was quoted $\frac{5}{32}$ point lower, taking its yield to 8.17 per cent.

The market went into the long bond auction knowing that demand not only from overseas but domestically was disappointing at both the three-year and 10-year auctions earlier this week. Dealers had been left with substantial positions.

Mitigating this indigestion is the fact that the market has declined this week taking the yield on the long bond to a more attractive level. Bond traders were hoping the lukewarm Japanese interest in the 10-year sale might have led to Japanese investors shifting their sights to longer maturities.

Given the enormous supply which the market has had to digest, including several corporate and municipal issues, the price erosion this week has not been that significant.

Economists at Drexel Burnham Lambert noted in their daily commentary that the market has held up pretty well during the refunding in spite of difficulties associated with a much shorter than usual period of when-issued trading because of the delay in signing the hike in the debt ceiling.

Early weakness in the dollar proved something of a drag on the bond market yesterday morning.

The main focus of the market yesterday was what demand would emerge at the long bond auction. Today, all eyes will be on the July producer prices index and retail sales figures for last month. The PPI is expected to have been flat to slightly higher after the 0.2 per cent rise in the index in June. Retail sales are expected to have risen by around 0.5 per cent, compared with the decline in June of 0.4 per cent.

■ THE GERMAN market was again quiet yesterday, with prices at the long end finishing unchanged, or 15 pfennigs weaker in places. In the futures market, where there was modest turnover of 15,500 lots, prices drifted off to close at 95.50 compared with 95.57 on Wednesday.

Slightly unusually, the Bundesbank bought in excess of DM200m worth of medium-term notes. The central bank's market operations are usually concentrated in bund paper. Medium-term notes closed around 10 pfennigs weaker.

■ THE UK gilt-edged securities market continued to hold up well, supported by sterling's strength, and by some overseas buying. Dealers observed foreigners switching out of US Treasuries and into gilts, and noted that all high-yielding currencies had benefited from the dollar's recent setback.

But a ½ point rally early in the day was enough to spark some selling later on, from domestic institutions which believe the market does not offer good value.

On Liffe, the September long gilt future ended ⅛ point firmer at 97-03, and in the cash market, prices at the long end finished only about $\frac{3}{16}$ point stronger after the afternoon's limited selling.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	107-12	+4/32	10.84	10.85	11.15
		8.750	1/98	98-25	+11/32	9.96	10.18	10.37
		9.000	10/08	98-26	+6/32	9.18	9.24	9.41
US TREASURY *		9.125	5/99	105-21	-7/32	8.12	7.70	7.86
		8.875	2/18	107-24	-13/32	8.18	7.86	8.01
JAPAN	No 111	4.600	6/98	97.0862	-0.058	5.07	5.08	5.21
	No 2	5.700	3/07	106.6583	-0.101	4.90	4.95	5.05
GERMANY		7.000	2/99	102.3500	-	6.65	6.62	6.83
FRANCE	BTAN	8.000	1/94	97.9407	-0.088	8.55	8.56	8.85
	OAT	8.125	5/99	98.6300	-0.050	8.32	8.35	8.57
CANADA *		10.250	12/98	105.0000	-0.775	9.43	9.09	9.26
NETHERLANDS		7.000	3/99	100.2800	+0.030	6.96	6.94	7.05
AUSTRALIA		12.000	7/99	94.4322	-0.476	13.01	13.00	13.46

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

AFBD lobbies US futures regulators on segregation

By Katharine Campbell

THE ASSOCIATION of Futures Brokers & Dealers has made a formal submission to US futures regulators requesting a relaxation of rules concerning the segregation of funds where US customers are dealing on a London exchange, it emerged yesterday.

But the mood at the Commodity Futures Trading Commission in Washington suggests the request may fall on deaf ears.

As the indictments of Chicago futures traders gather pace, the entire US futures regulatory framework is undergoing what one official called "the most intense scrutiny since the commission was formed 15 years ago," lessening the chances of significant concessions to foreign authorities.

However, Mr Phillip Thorpe, chief executive of the AFBD, says: "We believe there is reason to continue talking with the CFTC and we think we have been able to identify a way forward that has not been proposed before. The submission explains our position and offers a basis for further discussion."

From September, UK firms dealing for US customers in London only escape the full force of US regulation if they comply with the terms of an exemption, hammered out in months of acrimonious negotiations between the CFTC and the Securities & Investment Board, the UK lead regulator.

Although besieged by irate London firms affected by the new proposals, the SIB was unable to secure the exclusion of segregation from the terms of the exemption. As a result, the AFBD in May announced its intention of taking up the banner on behalf of the domestic market most affected by the requirements, the London Metal Exchange.

Segregation – which confers extra security to clients in the event of a firm's default by requiring firms to keep customer monies in a separate account – is mandatory under US law, but only compulsory for private clients in the UK.

Now, in response to requests for further information from the CFTC in a letter dated 19 June 1989, the AFBD has submitted a nine-page account of the special nature of LME's non cash-cleared business arguing, once again, that "the compulsory segregation of US customer funds is unnecessary, where those customers are demonstrably commercial and where the market practices have been shown effective and are preferred by market users."

The confidential submission suggests LME firms should be allowed to offer US customers the option of non-segregation provided that:

● US customers' trading is "exclusively connected with and integral to business activity which involves . . . non-ferrous metals."
● Customers have been "fully appraised of the consequences of not opting for segregation" by signing an addendum to the risk disclosure document agreed by the AFBD and CFTC.
● In the event the LME firm is not willing to offer segregation, a list is provided of other firms which do offer that facility.
● LME firms will segregate any cash funds in excess of those required for initial and variation margin.

Mr Michael Brown, chief executive of the LME, said that his members were awaiting the outcome of this submission before applying for exemption, which must be done on an individual firm basis. While the exemption became formally effective in May, the CFTC allowed a 120-day grace period before members were obliged to register.

Ms Andrea Corcoran, director of the trading and markets division of the CFTC, said the agency "is trying to give reasoned consideration to this new submission."

Copthorne seeks a £60m 10-year loan facility

By Norma Cohen

COPTHORNE HOTEL Holdings, a subsidiary of the Irish airline Aer Lingus, is seeking a £60m 10-year loan facility with a Euro French franc option up to the equivalent of £11m. National Westminster Bank is the arranger.

The loan, which is non-recourse to Aer Lingus, is secured by first mortgages over various hotels owned by Copthorne. Funds will be used to acquire and construct new hotels. The loan carries a margin in the first three years of ⅝ over London interbank offered rates, rising to ¾ in years four to seven and ⅞ per cent in years eight to 10. Repayment begins after the fifth year.

There is a participation fee of ⅛ per cent and a commitment fee of ¼ on undrawn balances.

● Baltic, a holding company for businesses engaged in property and asset finance and property development, has arranged a £50m commercial paper programme through Barclays de Zoete Wedd. It is the company's first borrowing in the domestic capital markets.

● Toronto Dominion Bank has completed a £150m term loan for Mirror Group intended to refinance existing debt and to fund the purchase of British Newspaper Printing Corporation from Maxwell Communications.

Tokio Servicos boosts capital

TOKIO SERVICOS Financieros, a Spanish affiliate of Bank of Tokyo, has increased its capital so it can qualify as a securities firm under Spain's new securities market law, Reuter reports from Tokyo.

Tokio Servicos's capital is now Pta750m, the minimum required to engage in securities business under the new law, from its previous Pta1m, a BOT official said.

The company was the first Japanese-affiliated firm to obtain such a qualification since the new law took effect in January this year. The deadline for applying to Spain's Finance Ministry was June 23.

The move was aimed at expanding securities business in Spain prior to 1992.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Thursday August 10 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Aug 9 Index No.	Tue Aug 8 Index No.	Mon Aug 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	1003.72	-0.6	10.62	4.61	11.57	19.57	1009.91	1004.79	999.57	811.69
2	Building Materials (29)	1238.54	-0.2	11.99	4.30	10.38	25.92	1241.36	1229.09	1218.47	1030.98
3	Contracting, Construction (38)	1630.61	-0.2	14.28	4.29	8.15	52.70	1633.86	1631.77	1624.46	1613.28
4	Electricals (9)	2909.06	-0.2	7.83	3.85	15.81	50.60	2903.69	2974.90	2972.12	2171.94
5	Electronics (30)	2274.31	-1.1	8.59	3.29	15.28	43.06	2299.05	2277.00	2283.37	1767.51
6	Mechanical Engineering (55)	552.67	-0.3	9.60	3.89	12.72	9.57	554.34	551.24	548.52	427.60
8	Metals and Metal Forming (6)	522.47	-0.6	13.28	5.74	8.78	14.84	525.79	524.24	520.37	492.69
9	Motors (17)	365.48	-0.8	10.51	4.22	11.14	6.83	368.42	363.82	362.24	284.66
10	Other Industrial Materials (23)	1745.10	-1.1	8.86	4.02	13.45	33.56	1765.09	1777.00	1751.35	1331.52
21	CONSUMER GROUP (186)	1355.69	-0.6	8.04	3.35	15.62	28.36	1363.66	1359.24	1359.37	1098.99
22	Brewers and Distillers (22)	1525.87	+0.1	8.74	3.21	14.51	21.95	1529.21	1508.15	1509.13	1129.79
25	Food Manufacturing (20)	1191.26	-0.9	8.40	3.51	14.76	28.55	1201.93	1193.52	1201.83	994.41
26	Food Retailing (14)	2486.77	-0.8	7.67	2.62	17.22	32.27	2507.80	2518.51	2521.81	1770.55
27	Health and Household (14)	2406.71	-0.5	5.91	2.65	19.97	22.24	2419.77	2408.48	2476.38	1831.41
29	Leisure (33)	1774.95	-0.5	7.09	3.14	17.48	29.39	1783.88	1783.46	1781.62	1384.10
31	Packaging & Paper (15)	628.46	-0.5	9.45	3.99	13.37	9.11	632.29	625.83	625.62	538.22
32	Publishing & Printing (16)	3854.57	+0.1	8.24	4.32	15.63	72.55	3852.81	3829.16	3803.86	3549.89
34	Stores (34)	903.78	-1.5	9.91	4.12	13.17	16.19	897.84	905.24	911.11	819.26
35	Textiles (15)	562.68	-0.3	10.62	5.16	11.27	15.84	564.35	563.55	562.42	596.36
40	OTHER GROUPS (93)	1215.00	-0.5	9.53	3.92	13.32	22.90	1229.79	1206.65	1198.90	894.89
41	Agencies (17)	1576.11	-1.0	6.76	2.24	18.22	18.99	1592.72	1580.37	1572.44	1074.14
42	Chemicals (22)	1349.71	-0.5	10.95	4.59	10.76	28.02	1356.88	1357.66	1359.26	1062.96
43	Conglomerates (13)	1806.77	-0.5	9.51	4.51	12.43	26.22	1818.78	1787.13	1765.78	1208.21
45	Transport (13)	2465.88	-1.3	8.50	3.67	15.28	39.22	2498.65	2497.84	2477.07	1950.84
47	Telephone Networks (2)	1199.53	+0.2	11.05	4.47	11.79	23.38	1197.05	1192.19	1183.71	960.18
48	Miscellaneous (26)	2098.99	-0.7	6.67	3.00	18.43	29.09	2113.63	2088.89	2084.86	1702.17
49	INDUSTRIAL GROUP (486)	1243.52	-0.6	9.14	3.60	13.51	20.83	1250.53	1242.90	1238.99	981.13
51	Oil & Gas (14)	2175.55	-0.3	9.77	5.15	13.62	64.24	2179.78	2188.25	2197.30	1825.45
59	500 SHARE INDEX (500)	1322.93	-0.5	9.22	3.88	13.52	24.36	1329.92	1323.49	1320.58	1052.75
61	FINANCIAL GROUP (124)	795.80	-0.3	-	6.11	-	10.87	797.99	795.12	791.81	703.36
62	Banks (9)	794.47	-0.4	21.73	6.28	6.04	23.46	797.31	792.27	787.26	666.21
65	Insurance (Life) (8)	1208.44	+0.1	-	4.69	-	19.44	1207.56	1198.22	1187.97	1046.87
66	Insurance (Composite) (7)	630.34	+0.2	-	5.94	-	16.75	629.06	631.61	628.61	546.55
67	Insurance (Brokers) (7)	957.14	-0.5	7.93	6.52	16.97	33.65	956.60	953.39	951.83	956.609
68	Merchant Banks (10)	368.87	-0.3	-	4.57	-	7.58	369.51	369.40	368.58	362.67
69	Property (52)	1383.59	-0.7	6.14	2.84	20.76	17.86	1393.22	1388.16	1383.49	1236.06
70	Other Financial (31)	379.63	-0.1	10.66	5.76	12.13	9.63	380.01	377.60	377.47	382.33
71	Investment Trusts (69)	1268.44	+0.1	-	2.65	-	15.47	1267.43	1257.81	1244.39	917.22
81	Mining Finance (2)	721.11	+0.8	8.29	4.34	13.57	13.64	719.83	722.13	717.88	514.20
91	Overseas Traders (8)	1485.88	+0.3	9.90	5.85	11.53	43.33	1481.57	1490.57	1463.20	1162.69
99	ALL-SHARE INDEX (702)	1194.84	-0.3	-	3.96	-	22.90	1200.27	1194.55	1191.07	961.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 9	Aug 8	Aug 7	Aug 4	Aug 3	Year ago
FT-SE 100 SHARE INDEX◆	2347.3	-13.1	2347.1	2346.4	2360.4	2348.1	2341.5	2327.5	2306.3	1843.4

FIXED INTEREST

	PRICE INDICES	Thu Aug 10	Day's change %	Wed Aug 9	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.08	+0.11	118.95	-	7.18
2	5-15 years	135.12	+0.25	134.79	-	8.43
3	Over 15 years	148.58	+0.34	148.08	-	7.38
4	Irredeemables	170.35	+0.33	169.80	-	7.32
5	All stocks	132.86	+0.22	132.57	-	8.00
	Index-Linked					
6	5 years	141.82	+0.25	141.46	-	1.36
7	Over 5 years	139.92	+0.33	139.62	0.16	2.56
8	All stocks	139.94	+0.35	139.64	0.15	2.39
9	Debentures & Loans	114.07	+0.06	114.00	-	6.16
10	Preference	88.90	+0.11	88.80	-	3.50

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 10	Wed Aug 9	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.42	9.45	9.66
2		15 years	9.03	9.07	9.40
3		25 years	8.79	8.83	9.07
4	Medium Coupons	5 years	10.28	10.32	10.09
5		15 years	9.52	9.57	9.61
6		25 years	9.12	9.15	9.29
7	High Coupons	5 years	10.41	10.45	10.20
8		15 years	9.67	9.71	9.75
9		25 years	9.29	9.33	9.32
10	Irredeemables		9.04	9.07	9.60
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.82	2.89	3.01
12	Inflation rate 5%	Over 5 yrs.	3.45	3.48	3.86
13	Inflation rate 10%	5yrs.	2.06	2.13	2.03
14	Inflation rate 10%	Over 5 yrs.	3.29	3.31	3.70
15	Debs & Loans	5 years	12.50	12.58	10.86
16		15 years	11.79	11.80	10.84
17		25 years	11.20	11.21	10.84
18	Preference		10.23	10.25	9.80

◆Opening index 2356.4; 10 am 2355.8; 11 am 2363.3; Noon 2360.1; 1 pm 2360.9; 2 pm 2355.5; 3 pm 2351.9; 3.30 pm 2346.8; 4 pm 2349.9
(a) 10.45am (b) 3.33pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	1	6
Corporations, Dominion and Foreign Bonds	12	0	32
Industrials	290	513	772
Financial and Properties	99	176	394
Oils	16	35	42
Plantations	1	1	9
Mines	30	61	84
Others	46	117	106
Totals	592	904	1,445

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§75	F.P.	-	92	75	‡Alpha Estates 5p	91	-1	a2.81	1.9	4.1	17.2
§33	F.P.	11/8	42	35	‡Ambassador Sec. Grp. 5p	39		-	-	-	9.5
§100	F.P.	-	126	108	‡Bournore Intl. 10p	115		u5.2	1.9	6.0	11.1
§135	F.P.	-	156	146	‡Danbury Group 10p	154	-1	L5.06	2.0	4.4	9.1
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	93		L1.13	4.7	1.6	17.7
†	F.P.	-	105	100	‡Ensor Hldgs. 10p	105		3.0	3.1	3.8	11.0
§62	F.P.	-	70	62	‡Forwell Group 10p	68		L1.8	3.0	3.5	12.4
§160	F.P.	-	188	178	Gowrings 10p	188	+2	6.66	1.5	4.7	19.0
-	F.P.	-	59	54	Hanson Warrants	56		-	-	-	-
§135	F.P.	-	198	135	‡Le Creuset FF0.35	181	-2	RQ49.5	2.8	2.5	15.3
□§100	F.P.	-	114	100	Leveraged Opportunity Tst.	114		-	-	-	-
-	F.P.	-	104	100	Nth. American Gas Inv Tst.	103		K3.75	-	4.9	-
50	F.P.	-	51	46	Pacific Prop. Inv. Tst 10p	47		-	-	-	-
-	F.P.	-	21	17	Do Warrants	20		-	-	-	-
§105	F.P.	-	112	110	‡Polar Electronics 10p	110		R4.5	2.7	5.5	9.2
†	F.P.	-	365	340	Presidio Oil "A" 10c	365		Q2.5c	-	0.4	-
§100	F.P.	-	122	100	Radiotrust	122	+1	-	-	-	-
105	F.P.	11/8	71	55	Richmond Oil & Gas 10p	68	+1	-	-	-	-
§20	F.P.	-	39	29	*Sleepy Kids 5p	34	+2	-	-	-	-
105	F.P.	-	120	111	‡Smith (James) Estates	119	-1	u3.0	0.9	3.4	35.2
-	F.P.	-	599	527	SmithKline Beecham "A"	580	-6	W-	-	-	21.1
-	F.P.	-	2788	2450	Do. Beecham/Beckman Uts	2650	-45	W-	-	-	19.3
□100	F.P.	24/8	108	101	Thornton Asian E.M.I.T.10p	107		-	-	-	-
§95	F.P.	-	115	95	‡Umeco	108	+2	13.5	2.5	4.3	11.3
§66	F.P.	-	88	66	*Video Magic Leisure 1p	85	+2	W2.0	0.7	3.1	68.1
-	F.P.	10/7	168	63	WPP Warrants	165	+5	-	-	-	-
§109	F.P.	-	118	115	‡Westminster Scaffold.10p	116		R5.0	1.6	5.7	13.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	113p	102p	Carlton Comms. 6.5p (Net) Cv. Rd. Pf 5p	110p	-3
100	Nil	-	2ppm	¼pm	‡Corton Beach 7.5p(Net) Cv. Pf.	¼pm	
♦	F.P.	-	50¾	50¼	Gartmore Am. Secs. Zero Div Pf 5p	50½	-¼
100p	F.P.	28/7	104p	98p	Hartwell 7¾p (Net) Cv.Pf. £1	98p	
100p	F.P.	-	117p	105p	Hunting Gibson 8¼pc Cv. Pf.	116p	
§100	F.P.	-	103	100	Leveraged Opportunity Tst. Cv Uns Ln	102	
100p	Nil	-	7ppm	¼pm	London Secs 8¼pc Cv. Rd. Pf.	1½pm	+½
-	F.P.	-	100¼	99⅞	M'wide Anglia 13⅝pc Bds 23.7.90	100¼	
-	F.P.	-	100	100	Do. 13⅞pc Bds. 13/8/90	100	
§99.1	F.P.	-	104¼	99⅛	Do. 4.25pc Index-Linked 2024	104¼	
100p	F.P.	-	103p	98p	Owen & Robinson 8½pc (Net) Cv. Pf.	98p	
§100	F.P.	21/8	105½	101½	Renaissance Hldgs 8.5pc Cv Ln 1994	101½	-1
§420p	P.P.	10/7	130p	107p	Tipbook Units	130p	+12
§100p	F.P.	25/7	117p	100¼p	WPP 8.25p Cv.Rd.Pf. 10p	117p	+2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
365	Nil	13/9	95pm	70pm	AIM Group 10p	70pm	-9
9	6	8/9	12	7½	Bear Brand	9½	-½
145	Nil	15/9	23pm	7pm	Egerton Trust	7pm	-2
165	Nil	15/8	15pm	1½pm	Glamar Group 10p	4pm	-1
10	F.P.	9/8	12¼	11	‡Marinex Petroleum 10p	11	
69	Nil	-	11pm	9pm	‡Sutherland Hldgs.	9pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. K Dividend and yield based on prospectus or other offical estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Aug 7
● Last Dealings Aug 18
● Last Declarations Nov 9
● For settlement Nov 20

For rate indications see end of London Share Service

Calls in Morgan Grenfell, Asda, N Kals, Oliver Res, Telbex, Amstrad, Ffloyd Eng, IMC, Premier, Chrterhall, Williams Hldgs, Molopo, Brit & Comm. P/C PML, Morg Grenfell.

LONDON TRADED OPTIONS

OVERALL VOLUMES on the London Traded Options Market yesterday continued at moderate levels as the FT-SE Index rose 13.1 points to 2,347.3. The general mood was that the underlying market was oversold, or at very least was being driven by speculative issues and rumoured or inspired reports which were seen as being directed more at generating volume business than reflecting any near-reality.

A total of 35,475 contracts changed hands, made up of some 25,700 calls and over 9,700 puts. Much of the business was driven by persistent bid rumours, particularly in Asda, the stores group, which was the best performing stock of the session. Asda traded a total of 3,342 contracts, almost exclusively weighted to calls; much of the business was opening call purchasing, with the September 200 calls trading 1,879 contracts.

Dixons was the second-busiest stock, trading 2,496 contracts, of which 1,800 contracts were the result of a roll-over from September 160 to December 180 calls.

Cable and Wireless again attracted interest on the back of the ADS listing in the US and traded 2,082 contracts; trade was predominantly bullish, with 1,600 calls traded.

Scottish & Newcastle contributed 1,625 contracts, made up of 1,551 calls and only 74 puts. Volume was apparently generated by renewed bid rumours, following further speculation of a transfer of the Elders stake.

British & Commonwealth was again a feature on a good deal of speculation as to its future. Yesterday saw a total of 1,593 contracts traded, down sharply on the previous day's business. Technically, some in the market take the view that the stock is on an uptrend, following its break-out above 180p.

The FT-SE index option remained quiet by recent performances, accounting for a mere 15 per cent of total business. This lower level of activity is attributed to uncertainty about future market direction. Many traders believe the market is technically too high, but are reluctant to sell for fear of fresh takeovers and other speculative issues emerging.

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Alld Lyons (*528)	500	52	67	88	12	22	23
	550	25	40	57	35	42	45
Brit. Airways (*198)	180	24	28	36	1½	3½	5
	200	11	17	26	7	10	14
	220	4	9	16	25	24	24
Brit Com (*193)	160	42	45	50	2	7	10
	180	26	32	39	8	13	19
	200	16	22	27	16	22	24
Smithk Bchm (*580)	541	57	75	-	8	15	-
	550	-	-	87	-	-	20
	600	22	40	57	32	37	40
Boots (*294)	260	43	50	61	1½	5	6½
	280	27	34	46	6	9	12
	300	13	23	33	13	18	20
B.P. (*296)	280	20½	29	34	4½	8	11
	300	10	17½	23	11	18	20
	330	2½	6½	11	38	38	40
British Steel (*75)	70	9¼	13	16	2	3¼	4¼
	80	4½	8	10	7½	9¼	9½
Bass (*1081)	1000	118	135	165	10	22	27
	1050	78	100	133	20	37	45
	1100	50	70	103	45	63	65
C & Wire (*578)	500	99	116	137	6	14	20
	550	60	84	105	20	30	39
	600	29	56	-	40	52	-
Cons. Gold (*1478)	1400	95	100	-	2	3	-
	1450	45	50	-	6	13	-
	1500	5	10	-	35	37	-
Courtaulds (*367)	330	48	59	69	3	6	8
	360	27	37	48	9	13	16
	390	10	20	31	25	28	30
Com. Union (*408)	360	53	65	-	3	5	-
	390	28	43	47	9	13	19
	420	12	27	30	25	27	35
G.K.N. (*460)	420	50	65	74	5	9	14
	460	25	39	49	21	25	31
Grand Met. (*631)	600	52	77	90	17	24	30
	650	26	50	63	42	45	48
I.C.I. (*1306)	1250	85	130	148	23	33	47
	1300	53	99	115	47	57	67
	1350	28	70	-	80	87	-
Jaguar (*391)	360	48	62	73	8	15	22
	390	27	44	57	19	25	35
	420	17	32	42	40	45	52
Kingfisher (*353)	330	34	48	60	8	12	17
	360	16	29	40	23	26	30
Ladbroke (*319)	300	34	40	50	6½	10	13
	325	13	25	-	17	21	-
	330	-	-	32	-	-	27
Land Secur (*594)	550	65	80	98	6	10	14
	600	30	48	65	22	28	33
U & S (*214)	200	23	30	39	4	6	8
	220	10	16	26	11	14	13
STC (*367)	330	48	62	-	5	10	-
	360	29	44	50	15	20	24
	390	14	28	36	33	36	39
Sainsbury (*278)	260	30	36	45	3	5	7
	280	16	24	32	9	14	14
Shell Trans. (*434)	390	48	64	71	5	7	12
	420	24	38	49	9	15	18
	460	8	18	26	32	35	38

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Storehouse (*140)	140	11	16	21	7	9	11
	160	4	8	11	21	23	24
Trafalgar (*402)	360	-	-	70	-	-	10
	377	40	40	-	8	12	-
	390	-	-	50	-	-	20
Utd. Biscuits (*393)	360	53	63	76	7	11	13
	390	32	45	56	16	22	26
	420	16	32	42	36	39	45
Unilever (*633)	550	100	115	-	1½	6	-
	600	57	75	92	8	14	19
	650	25	43	62	28	33	35
Ultramar (*326)	300	42	51	56	5	8	13
	330	19	32	40	13	20	24
	360	e	19	24	35	38	40

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*702)	650	81	108	-	6	11	-
	700	48	75	88	37	42	50
	750	28	33	67	65	70	78
BAA (*366)	330	53	61	-	3	7	-
	360	32	40	51	11	17	19
	390	16	25	35	29	33	35
BAT Inds (*855)	800	103	130	145	32	40	45
	850	75	103	120	53	63	63
	900	48	77	90	83	93	93
BTR (*419)	390	45	60	67	7	11	13
	420	25	40	48	16	22	27
	460	9	21	29	46	46	48
Brit. Telecom (*255)	240	28	33	41	3	5½	6½
	260	14½	20	29	10	12½	13½
	280	6	10	17	26	26	28
Cadbury Sch (*428)	420	40	58	68	21	30	33
	460	22	38	48	45	52	57
Guinness (*584)	500	100	114	-	3	7	-
	550	60	75	93	13	16	20
	600	30	45	60	35	40	42
GEC (*276)	240	47	54	-	2	3½	-
	260	31	38	44	5½	7	8½
	280	17½	24	31	11½	14	17
Hanson (*238)	220	28	29½	37	2½	5½	6
	240	13½	17½	25	8½	12	13
LASMO (*509)	500	40	58	73	22	25	30
	550	22	37	49	49	51	55
P. & O. (*680)	650	62	87	100	24	28	35
	700	37	60	72	47	52	57
Pilkington (*254)	240	29	35	42	6	10	11
	260	17	24	31	15	18	20
	280	8	15	21	28	31	31
Plessey (*267)	240	33	36	-	1½	3	-
	260	15	17	17	3½	5	6
	280	4	5	6	15	15	16
Prudential (*204)	180	31	36	39	3	4	5
	200	15	22	25	8	9	11
	220	7	11	14	19	20	21
Racal (*434)	420	48	64	80	20	26	29
	460	27	43	59	41	45	47
	500	15	28	-	70	72	-
R.T.Z. (*562)	542	45	66	-	14	30	-
	550	-	-	75	-	-	77
Scot. & New (*402)	390	45	60	73	18	26	30
	420	31	43	53	35	42	45
Tesco (*208)	200	18	29	31	8	10	10
	220	9	17	20	15	16	18

Option		Calls Sep	Calls Nov	Calls Jan	Puts Sep	Puts Nov	Puts Jan
Abbey Nat. (*145)	140	11	14	18	3	4	4
	160	2	5	8	17	16	10
ASDA Grp. (*208)	180	30	37	43	3½	6	7
	200	17	24	30	9	13	15

Option		Calls Sep	Calls Nov		Puts Sep	Puts Nov	
Gateway (*235)	220	15	15	-	1	1	-
	240	1	1	-	-	11	-

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Amstrad (*73)	70	8½	12	17	5	7	9
	80	4	7½	12	11	13	15
Barclays (*523)	500	26	45	60	10	17	24
	550	6	21	34	44	45	46
Blue Circle (*271)	250	28	35	44	4	7	9
	275	13	20	30	14	17	19
British Gas (*207)	180	29½	37	39½	1	1¼	3
	200	11	19	23	2½	4½	8
	220	3	9	12½	15½	16	17
Dixons (*165)	160	12	22	26	9	13	16
	180	5	12	19	23	25	27
Glaxo (*1528)	1450	114	147	197	12	32	38
	1500	77	114	164	27	49	59
	1550	47	85	134	47	70	80
Hawker Sidd. (*750)	750	34	57	82	22	30	45
	800	13	35	57	55	60	62
Hillsdown (*304)	280	32	43	53	3	7	9
	300	17	32	38	10	15	17
Lonrho (*286)	283	17	29	-	9	12	-
	300	-	-	26	-	-	29
Midland Bk (*339)	330	-	-	35	-	-	29
	357	4	-	-	29	-	-
R. Royce (*190)	160	34½	37½	-	1	2	-
	180	16½	22	28	3	7	8½
	200	5	11	17½	14	17	19
Sears (*129)	120	13	17½	22	2	3	6
	130	6½	10½	15½	6	7½	10
	140	2	5½	10½	12	14	15
THF (*342)	300	49	56	64	2½	8	10
	330	24	34	45	9	13	18
	360	10	20	27	25	30	33
Thorn EMI (*830)	800	55	82	104	12	23	27
	850	24	50	70	32	43	49
TSB (*110)	100	11	14	16	1	3	4
	110	3	8	9	5½	7½	8½
	120	1	3½	5	16	16	17
Vaal Reefs (*81)	80	7	8	12	4	5½	7½
	90	2¼	4½	8	10	11	12
Wellcome (*510)	420	100	113	127	1½	4	7
	460	63	80	102	4	11	15
	500	35	52	72	14	23	28

FT-SE INDEX (*2347)

	2050	2100	2150	2200	2250	2300	2350	2400
CALLS								
Aug	298	248	198	149	103	61	31	13
Sep	306	260	213	166	123	86	56	34
Oct	323	275	230	186	143	108	76	50
Nov	-	-	288	246	203	163	127	95
Jun †	-	400	-	325	-	255	-	190
PUTS								
Aug	1½	2	2	4	9	19	40	75
Sep	3½	5	8	12	20	33	53	85
Oct	6	8	13	20	30	42	62	93
Nov	-	13	18	24	35	50	70	98
Jun †	-	43	-	65	-	92	-	134

August 10 Total Contracts 34,980
Calls 25,392 Puts 9,588
FT-SE Index Calls 1507 Puts 4029
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

BP shows slight advance to £752m in first half

By Max Wilkinson, Resources Editor

BRITISH PETROLEUM yesterday announced a 3 per cent increase in its replacement cost after tax profit for the first six months of the year.

The replacement cost profit for the April to June period was 15 per cent higher at £371m. The figure for the first half was £752m, but that excluded an extraordinary profit of £267m from the sale of BP minerals, although it included the profit from the sale of assets in the Magnus field in the North Sea.

Mr David Simon, managing director in charge of finance, said yesterday that the results were a satisfactory reflection of the group's strategic decision to re-focus its business on the core oil and gas sectors.

A $2.3 rise in the oil price in the period led to a £343m gain in profits from stocks held by the company. This pushed the profit on a historic cost basis up to £1.09bn for the first half compared with £620m.

The group declared a quarterly dividend of 3.65p bringing the dividend for the first half to 7.3p. Mr Simon explained that this was not comparable to the previous interim dividend, which was 5p. The new policy was to set the quarterly dividend at a level which gave a cumulative signal as to the likely dividend for the full year.

The latest quarter's results showed a continued improvement in all three major sectors of the business.

Pre-tax operating profit on a replacement cost basis from exploration and production was up 11 per cent in the second quarter at £395m, bringing the result for the first half to £878m, a rise of 15 per cent. This reflected the rise in oil prices and a more favourable dollar exchange rate, offset by lower production and a rise in Alaskan oil taxes.

The group's oil production averaged 1.37m barrels a day in the quarter, 12 per cent less than in the same period last year. Production interruptions in the North Sea and the lowered stakes in the Magnus and Forties fields accounted for the decline. However, the group's gas sales rose from 793m cu ft per day in the second quarter of 1988 to 1.468bn cu ft per day in the latest quarter.

Refining and marketing profits for the latest quarter were £228m, 34 per cent up on the 1988 figure. This reflected the higher refining margins experienced by the industry as a whole and the strong demand for products, particularly in the US.

BP Chemicals, the third major sector of the business continued to improve its results, with a replacement cost operating profit for the second quarter of £187m, a rise of 17 per cent on the first quarter and 42 per cent better than in the same period in 1988. However, the company says the improvement in chemicals profits has reached a peak and some decline is expected.

Mr Simon said that the group was well on the way to achieving its target of a sale of assets of $1.5bn to $2 bn, excluding the proceeds from the sale of its minerals business. Disposals so far this year had netted $1.2bn, and the group would continue a policy of vigorous asset management.

The ratio of debt to debt plus equity stands at 49.8 per cent, but a combination of asset sales and the use of strong cash flow would reduce the ratio to a little above 40 per cent by the end of the year, he said.

See Lex

Max Lewinsohn resigns from Dominion board

By Clare Pearson

MR MAX LEWINSOHN, architect of Dominion International for 15 years, yesterday moved to pre-empt shareholder action by announcing that he was resigning as deputy chairman at the annual meeting of the troubled financial services, property and natural resources group.

But the drama did not end there for the scores of shareholders and others who had braved the morning rain to pack into the meeting at the company's leafy headquarters in Wimbledon, south London.

Lord Barnett, the Labour peer who is non-executive chairman, found himself subjected to a prolonged harangue from Mr Buster Mottram, the one-time leading British tennis player and a Dominion shareholder.

Mr Roy Richardson, the prominent Midlands investor and property developer who, together with his brother Don, has built up a substantial stake, also subjected the board to a few pieces of his mind.

Meanwhile, other shareholders flexed their muscles by throwing out three of the 14 resolutions put to the meeting, as well as cheering Mr Lewinsohn's resignation and "hear-hearing" the speakers.

Mr Lewinsohn's departure follows Dominion's announcement last month of disappointing results. The Richardson brothers had turned up the heat by increasing their stake from 5.6 to nearly 12 per cent.

Roy Richardson: might make bid in right circumstances

Max Lewinsohn: the announcement of his resignation was met by cheers from the shareholders at the meeting

As he bade farewell to the company he had created out of the shell Dundee Crematorium in the mid 1970s, he made a clear reference to the Richardsons by warning shareholders to "beware of creeping back-door control".

But Mr Richardson later dismissed the suggestion he was trying to gain control by this means. He said his concern was to protect the value of his investment. This would not exclude making a formal takeover offer, in certain circumstances.

"I'm not against the current management provided the company performs," he said. "But if the shares continued to fall, to a level that was attractive enough, we would consider making a bid."

He said for the moment he viewed in a favourable light Mr Carl Openshaw, the new managing director who worked for Guthrie, the diversified manufacturing group, before its takeover by BBA Group last year.

Meanwhile Mr Mottram determinedly ploughed through a long agenda of complaints, shrugging off Lord Barnett's attempts to stop him with replies that he described as "platitudinous".

As well as bludgeoning the chairman with questions about Dominion's accounting policy and the number of non-executive directors, he also expressed concern about the size of the company's contributions to British tennis. This was a feature which had originally attracted him to invest in it, he said later.

Mr Openshaw said later he would be carrying out a rigorous review of all group operations and proposals, including the recent plan to sell FFL Holdings, the film insurance company, and replace it with York Associates, a New York mortgage company.

Dominion's weakening share price suffered a further blow after it last month announced pre-tax profits of £5.44m, down from £8.55m last year, although this figure was restated as £4.87m because of new provisions against motor finance.

City concern has focused particularly on the size of the write-offs made by Dominion in the past few years, when it has also adopted a labyrinthine corporate strategy as well various changes in its accounting policies. According to one analyst Dominion has written-off nearly £22m over the past four years.

Shareholders reappointed all the other directors. They rejected three technical resolutions relating to increases in the authorised share capital and changes in the articles of association.

Mr Lewinsohn's resignation does not immediately affect a management and financial advice contract under which his firm of accountants received £223,000 from Dominion last year. Mr Openshaw said this would be reviewed.

Royal Dutch/Shell makes £2bn

THE ROYAL DUTCH/SHELL group yesterday announced a 38 per cent rise in second quarter after tax earnings on a replacement cost basis, compared with a year earlier, writes Max Wilkinson.

Profit for the quarter was £912m, with £2.02bn for the first six months including gains from the sale of real estate.

On an historic cost basis, which includes stockholding gains resulting from the higher price of oil, profits for the quarter were £1.01bn, a 58 per cent rise. The group said the main reasons for the second quarter increase were:

- A rise in exploration and production earnings, reflecting higher crude oil prices in dollars and the stronger dollar against other currencies.
- Improvements in the manufacturing, marine and marketing business, reflecting gains in inventory holdings and higher sales in the far east.
- A slight improvement in chemicals earnings with higher margins in the US.
- Continued improvements in the profitability of the coal and metals sectors.

Exploration and production earnings rose by £140m to £341m in the second quarter. Crude oil production rose by 2 per cent to 1.73m barrels a day, and natural gas sales volumes also rose 2 per cent, to 5.31bn cubic feet a day. A production fall of some 90,000 barrels a day in the UK North Sea was more than outweighed by increases elsewhere.

In the downstream sector, in which Shell includes refining marketing and marine operations, the latest quarter's profits increased 79 per cent in the quarter to £288m. Lower volumes of oil product sales in the US were balanced by increases in the Far East. On a replacement cost basis the sector rose 14 per cent.

Although margins were higher in the quarter than a year ago, the group said they slipped towards the end of the period.

Chemicals profit improved 8 per cent in the second quarter to £267m, though first half profits rose 32 per to £529m.

Profits from metals continued to improve in the second quarter, nearly trebling to £40m. The coal sector also started to contribute to group profits after years of disappointing results. *First half* profits were £29m compared with a loss of £7m.

For the half year corporate items contributed £246m compared with a loss of £86m.

See Lex

Assets/shares swap for Clyde

By Ray Bashford in London and Laura Raun in Amsterdam

CLYDE PETROLEUM, the independent exploration and production group, has expanded its UK oil reserves through an assets-for- shares swap with DSM, the Dutch chemicals company.

DSM's two UK upstream oil and gas subsidiaries are being acquired in return for a 9.1 per cent stake in Clyde, lifting its holding to 9.7 per cent of the enlarged capital.

The principal asset is a 5 per cent interest in the Alba field in addition to 9 exploration blocks and two onshore licences. The two subsidiaries have net assets of about £6.5m in cash and debt, Clyde directors said.

Mr Colin Phipps, Clyde chairman, said the interest in the Alba field helped the company spread its risk through an investment which had "substantial upside for the 1990's".

The acquisition will add an estimated 30m barrels of proven and probable oil and gas equivalent. "Our production profile should now exceed 20,000 daily barrels from 1990 to at least 1995 and 12,000 daily barrels through to the next century based only on existing proven reserves," Mr Phipps said.

For DSM the deal allows it to exchange modest oil and gas holdings in the UK for a substantial stake in a leading UK petroleum group which has a broad spread of European interests.

The Dutch company has a plan to establish its relatively operated along side its diverse chemical activities.

Offshore activities are viewed as a promising source of profits as well as a partial hedge against the chemical operations. Early this year DSM bought the 50 per cent it did not own in a North Sea joint venture with Petrofina.

Philip Morris listing

Philip Morris Companies Inc *has applied to the Stock* Exchange for all of its common stock to be admitted to the Official List by way of an introduction sponsored by County Natwest. Dealings are expected to commence on August 14.

Acquisitions boost Hickson to £20.4m

By John Ridding

A SERIES of acquisitions boosted pre-tax profits at Hickson International, the specialist chemicals group, to £20.43m for the first half, an increase of 69.5 per cent over the comparable period.

Mr Melvyn Hopley, chairman, described the growth rate as "exhilarating." But the markets had been hoping for slightly more and this, combined with some concern about the effect of higher interest rates sent the shares down 10p to 275p.

Turnover in the six months to June 30 increased from £129.1m to £200.8m. Earnings per share, limited by issues to finance the various acquisitions, rose from 9.12p to 12.8p. There is an interim dividend of 2.8p (2.25p).

The chemicals division increased operating profits by 36 per cent to £14.1m, with £3m coming from Kerley and Manro, two acquisitions.

In timber protection, profits increased by 79 per cent to £5.3m. The principal factor in the improvement was Wolman which was acquired in February.

The merchant distribution businesses, mainly involved in floor coverings, improved profits by 35 per cent to £3.1m. This included a first time contribution from Komfort, acquired in March, and a £400,000 contribution from property disposals.

According to Mr Hopley, "recently, especially in areas affected by interest rates such as housing starts in the UK and US, there has been some slowing in sales demand." He added, however, that "so far the effect has been small." The group was protected by its geographic and business spread.

● COMMENT

The slip in Hickson's share price, which at one stage was down 25p, appears an overreaction given that profits were slightly down on ambitious top of the range forecasts. Nonetheless, it provided a reminder that despite the euphoria surrounding Hickson's recent performance a number of its businesses are vulnerable to higher interest rates and that much of the shares' recent outperformance has resulted from bid speculation rather than fundamentals. The need to digest the latest batch of acquisitions and the traditionally quieter second half imply a slowing in the growth rate. However, in Hickson's terms, this still means full year profits of £38.5m, compared with £26.3m last time. What happens to the share price depends on Mr Jack Dellal's Allied Commercial Exporters' 13 per cent stake. But Mr Dellal seems to have had itchy feet for a while now and his failure to pass on the stake reduces prospects of a bid.

Ward White stake

Junction Advisors, the US arbitrage fund, has acquired a further 425,000 shares in Ward White, the retailer, taking its stake to 3.9 per cent.

Ward White is currently facing a hostile bid from Boots, the retail and pharmaceutical group, and Junction acquired its shares at 458p each, above the level of Boots' increased offer of 445p.

Bullers on the upgrade with £195,000

Bullers, a maker of fine arts and giftware, reported operating profits almost doubled at £211,000, against £110,000.

The pre-tax figure was £195,000, compared with losses last time of £237,000 which were struck after rationalisation costs of £324,000. Turnover was static at £5.57m.

Mr *Allan* Jonnes, the new chairman, said that second half profits would have the benefit of increased sales in the English crafts division from the tourist trade and the build-up of orders for Christmas.

After tax of £44,000 (£35,000 credit) earnings per share came out at 0.67p (1.99p losses). The interim dividend is maintained at 0.5p.

Independent Newspapers rises to I£6m

Improved performances in all trading divisions helped Independent Newspapers show a 20 per cent rise in pre-tax profits for the first half of 1989.

From turnover ahead 8 per cent from I£65.4m to I£70.39m (£61m), the profit worked through at I£6m.

Mr Tony O'Reilly, chairman, said overseas operations yielded satisfactory results while the buoyant Irish economy gave rise to improved trading conditions for the national and provincial newspapers in Ireland.

Earnings for the period were 13.2p (11.8p) and the interim dividend is lifted to 4p (3.33p adjusted). There was an extraordinary gain of £5.9m.(nil)

NEWS DIGEST

Leisure expansion for Copson

F COPSON, the plumber and builders' merchant which is transforming itself into a hotels and nursing home group, announced two more acquisitions in line with its new direction, by Edward Sussman.

The group is buying The Hare & Hounds Hotel, near Newbury, Berkshire, for £1.93m cash and the Conifers Nursing Home, in Preston, Lancashire, for £1.45m.

Copson also announced pre-tax profits ahead 24 per cent to £932,000 (£751,000) for the year to April 30, on sales of £32.66m (£29.56m). Earnings per share expanded 22 per cent to 9.89p (8.11p) and a final dividend of 3p makes a total of 4p (3p).

Mr Satish Chatwani, chairman, said the building supplies division had a strong year, but the heating and plumbing side ran into difficulty.

The Chatwanis have indicated they intend to sell these divisions in the long term. In the meantime, the heating and plumbing business is being completely restructured. The division's site was sold to developers on July 31 for up to £3.5m. After the two acquisitions and the cash injection, gearing will be about 15 per cent.

Law Debenture plans dividend rise

Law Debenture Corporation plans to raise its dividend by at least 2.55p for 1989.

The interim is lifted to 5p (3.75p) from earnings of 6.63p (5.38p), and the final will be not less than 7.75p (6.45p), the directors said.

For the first half of 1989 gross revenue moved up to £3.59m (£3m), with franked income at £1.22m (£1m) and trustee and other fees at £1.55m (£1.29m).

Rent reviews help Compco to £1.24m

Compco Holdings, the property investment and development company, reported pre-tax profits up 54 per cent, from £804,000 to £1.24m for the year to March 25 1989.

Net asset value increased from £19.48m to £26.08m, after taking into account the internal re-valuation of the group's investment properties at March 25, to give a pershare figure of £12.61, compared with 942p.

The directors said that during the year the group had benefited from a number of rent reviews.

After tax of £429,000 (£335,000) earnings per share rose from 22.75p to 39.03p. The single final dividend goes up from 9p to a proposed 10.8p. There was an extraordinary item of £240,000 (£232,000).

Epwin diversification smooths demand

Substantial profit growth for the first half of 1989 and another acquisition were announced by Epwin Group, a USM-quoted specialist window manufacturer.

On turnover ahead 9 per cent, from £16.6m to £18.1m, profits before tax surged 83 per cent, from £600,000 to £1.1m.

Mr Jim Rawson, chairman, said the policy of market diversification into three trading areas – trade, commercial and retail – led to balanced sales, smoothing out variable demand on uPVC extrusion and manufacturing facilities.

The acquisition, the second in three months, is of MSC (Environmental Engineers), a West Midlands-based maker of glass sealed units, for between £1.64m and £1.84m depending on profits.

Initially £1.42m will be paid through the issue of 1.03m shares, of which 547,446 have been placed at 137p each. In the year ended October 31 1988 MSC made pre-tax profit of £185,320 on turnover of £2.76m. Net assets were £511,066.

Epwin's earnings in the half year came to 5.6p (2.9p) and the interim dividend is stepped up to 1.8p (1.6p).

Foreign & Colonial net assets rise

Foreign & Colonial Investment Trust announced a 25 per cent increase in net assets during the first six months of 1989.

The end-June figure for net assets per share stood at 176.8p, compared with 142.2p a year earlier and 141p at end-1988.

The interim dividend is 0.8p. F&C intends to recommend a final payment of 1.7p, making a total of 2.5p. Net revenue before tax in the first half was £12.6m (£10.91m).

● Fleming High Income Trust, which had a highly successful launch in April, declared a first interim dividend of 1.3p. Directors said they were confident that the initial forecast of total dividends of not less than 5.25p can be achieved. Net asset value at end-July was 100.7p per share, up 5.8 per cent since the launch.

Frost higher and sees further growth

Growth continued in the first half at the Frost Group with interim pre-tax profits up 44 per cent from £1.44m to £2.07m. The company said it looked forward to further progress in the second half.

Petrol retailing continued to perform well during the period on existing and new sites. The buying programme of one site a month was being maintained.

Turnover for the six months to end-June at this holding company, which also has interests in sale promotion, property and financial services, was 30 per cent higher at £33.08m (£25.43m). Earnings per share came out at 10.23p (7.8p) and the interim dividend is raised to 5.25p (4p).

Competitive markets restrict Chieftain

Competitive market conditions held back Chieftain Group, the USM-quoted specialist insulation and fireproofing services supplier, in the first half of 1989.

Pre-tax profits amounted to £602,000 – a decline of 7 per cent on the £644,000 achieved at the same stage last year. Turnover fell to £4.54m (£5m).

The directors expressed confidence over medium term profit margins and reiterated the group's policy to expand both organically and by acquisition.

Earnings per 5p share drifted to 4.78p (5.77p), but the interim dividend is raised 0.2p to 1.8p.

UK COMPANY NEWS

Queueing for a share of cold comfort

Andrew Taylor on the failure of Kentish Properties and the prospects for its creditors

WHEN IT comes to dividing what is left from the remains of a failed public company, shareholders are the last in the queue. Often there is nothing for them to share after the banks and other creditors have picked over the bones.

This will provide no comfort for shareholders in Kentish Properties who have been called to an extraordinary meeting at the end of this month to appoint liquidators to wind up the group's business.

The company's shares were floated at 185p in July 1987 and 22 months ago stood at a peak of 342p. This was in stark contrast to the 61p at which the shares were suspended last month before Kentish sought court protection from creditors to gain breathing space. The failure of that attempt made this week's decision to appoint a liquidator inevitable.

So, who stands in line to share what assets remain and what are the rights of people who have exchanged contracts and paid deposits of up to £10,000 to buy flats not yet built?

Only three out of nine Kentish sites in south and east London involve people who have bought homes in partly completed schemes.

These are Burrells Wharf on the Isle of Dogs, where Kentish planned to build 343 flats; Bow Quarter, a development of 638 flats in east London; and Leabank Square, also in Bow, where there were plans for 40 town houses and 35 flats.

Peat Marwick McClintock, receiver at Bow Quarter, plans to complete two-thirds of the 600 flats. It says the 150 purchasers who had exchanged contracts would get their homes, adding that purchasers would forfeit deposits if they did not honour contracts.

Some buyers want to pull out, saying there is no guarantee the development will be completed as originally planned. They fear the value of their homes will fall if prices are cut to persuade future purchasers to come forward. Other buyers are just relieved they still have chance to buy and their deposits have not been wasted.

Halifax Building Society, the main lender at Burrells Wharf, where Peat Marwick is again the receiver, says it intends to complete a significant proportion of the development. The 100 people who had contracted to buy homes would either be offered their original choice of a flat or as near to their original choice as possible. Deposits would not be refunded.

Cork Gully, receiver at Leabank, says about 20 people had offered to buy the flats, but no contracts have been exchanged. Some small deposits may have been left with estate agents but these should be recoverable if the development does not proceed.

Winding up the business has been complicated by the appointment of separate receivers to individual developments as well as to three of the company's seven subsidiaries.

They have been appointed by various banks, building societies and financial institutions which have lent money secured against specific projects or against the activities of individual subsidiaries (see map).

The two largest lenders are Halifax, which has so far lent almost £26m on the Burrells Wharf development, and Security Pacific, which represents a syndicate of six banks which has lent £18m to the Bow Quarter scheme.

Halifax said it had been making loans to commercial and residential developers for at least eight to nine years. This was the first time it had incurred problems on this scale. Less than 1 per cent of loans made by Halifax were made to developers.

Halifax and Security Pacific together account for £43m of debts of £85m owed by Kentish, which in its last balance sheet showed shareholders funds of just £12m.

Other creditors which have made loans secured against specific developments proposed by Kentish include Midland Bank, Barclays Bank, Alliance & Leicester Building Society, the merchant banking and financial services group Chancery, the deposit taker and mortgage financier Benchmark, and Paine Webber, the US investment bank.

Banks and building societies as secured creditors, with a fixed or floating charge against the company's assets, come towards the front of the queue when it comes to paying off debts. Only the receivers, who get their fees, Customs and Excise (for value added tax), and employees – wage arrears, for example – take priority.

Further down the line come unsecured creditors such as contractors and building materials suppliers which may not have been paid for all the work done. Halifax is currently negotiating with contractors at Burrells Wharf to decide what arrangements might be made for completing the works.

Other financial institutions which have have appointed receivers to specific developments must now decide whether to complete the projects themselves; most seem likely to sell the sites on to other developers. Many have taken out mortgage insurance to cover any loss on sales.

But do receivers at Kentish believe other developers are likely to fall in what has become a highly depressed housing market? Mr Roger Oldfield, one of the receivers at Bow Quarter and two other sites, has been part of Peat Marwick's corporate recovery team for almost two decades. He witnessed the last property crash in the mid 1970s which led to the failure of companies like Northern Developments.

"Most public companies which survived the 1970s learned their lesson and are much better managed, have less debt and are therefore less susceptible to sharp increases in interest rates," says Mr Oldfield.

"Companies which fall this time are likely to be smaller businesses which lack the management experience and resources to cope with the slump in demand. I am sure there are companies which have overstretched themselves by taking on too much debt in the belief that house prices and sales would go on rising and there will be other failures."

Some buyers lack confidence about the future of their new homes

MISS FREDALINDA TELFER, a 29-year-old software specialist, paid deposits totalling almost £10,000 for two flats at Kentish Property's Bow Quarter development, writes Andrew Taylor.

She agreed to buy the second, more expensive flat because she liked it better than the one she originally agreed to purchase for £88,500 last October. She had found a buyer for the first flat when Kentish Property collapsed.

She says: "I have not heard from my buyer and do not expect the sale to be completed. I have no confidence that the development will be completed as planned and want my money back but the receivers say this is not possible."

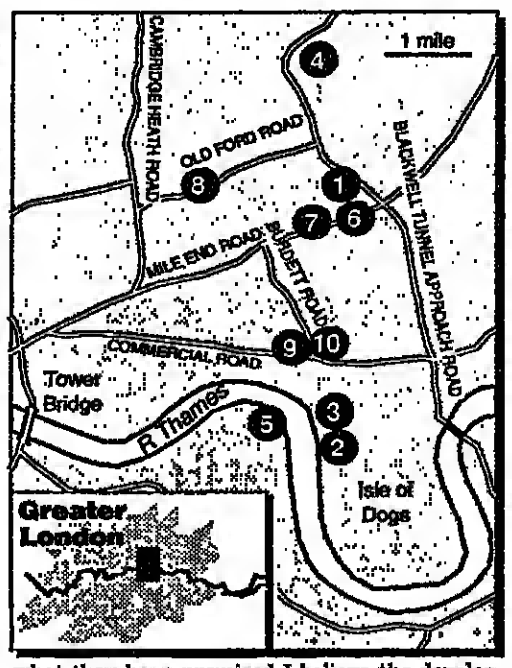
Mr Stephen Swindon, 27, bought a studio flat at Bow Quarter for £74,000 in the spring. He wants his deposit of £3,700 returned.

He says: "There is no longer a commitment to develop all of the site. We could find ourselves next door to an unattractive development which would damage the value of flats.

"There is no guarantee that future flats may not be sold to the council or at a lower price which would reduce the value of properties bought previously. It might be less expensive to forfeit my deposit than see the value of my flat drop by £10,000."

Miss Christine Ridley, 30, who works at Credit Suisse First Boston, however, is relieved that the receivers propose to complete most of Bow Quarter. She bought a £94,000 flat there last September paying a deposit of about £5,000.

She says: " Provided the receivers deliver what they have promised I believe the development will be a success. I think people should be more positive. It could have been a lot worse. We could have lost our deposits and ended up with nothing to show for it."



Kentish Property's major developments

THESE ARE THE major developments in east and south London built or proposed by Kentish Property, as well as the main lenders to each.

1. Bow Quarter: The company planned to build 638 flats. Peat Marwick McClintock, receivers for the development, proposes to complete about 400. A group of six banks led by Security Pacific has lent about £18m and may have to provide another £20m to complete the works.

2. Burrells Wharf: Halifax Building Society has lent almost £26m for the project originally planned to provide 343 flats, shops, offices and a leisure centre. Halifax says it intends to complete most of the development but has not finalised which parts.

3. Cascades: This block on the Thames, built in a style more appropriate for the Mediterranean or Miami Beach, is the company's best-known development. It is fully let on long leases. Benchmark has a debt of about £700,000 secured on the property.

4. Leabank Square: A small residential development on which Midland Bank has lent about £1.75m. So far little has been built apart from a few show houses.

5. Rotherhithe Street: Former warehouse recently advertised for sale as a development site. Barclays Bank has lent about £2.5m on the site.

6. Bow Town Hall: Still occupied by the local council but with plans to turn it into a residential development. Chancery is understood to have lent about £3.5m.

7. Bow Road: Industrial site opposite Bow tube station with planning permission for housing. Paine Webber understood to have lent about £800,000.

8. Old Ford Road: Alliance & Leicester Building Society had agreed to lend about £2.25m but only £750,000 drawn to acquire the site for a housing scheme.

9. Burdett Road: A development site for sale. Chancery is the main lender.

10. Dod Street: An industrial site with planning permission for residential and light industrial development.

Kentish Property also has a 70,000 sq ft office building in Hertfordshire, part of which it occupied as its headquarters.

Smith & Nephew in good health with £64.4m

By John Ridding

SMITH & NEPHEW, the healthcare and consumer products group, overcame difficult trading conditions in the UK to report pre-tax profits of £64.4m for the first half, an increase of 18 per cent.

The results, covering the six months to June 17, included the first contribution from Ioptex, the US manufacturer of optical lenses, which was acquired at the end of 1988.

The inclusion of Ioptex helped lift sales from £267.1m to £320.7m. However, the issue of shares to finance the acquisition, and the conversion of shares under the group's share option scheme, limited earnings per share to an 11 per cent increase from 3.99p to 4.44p.

Mr Kenneth Kemp, chairman, said that after accounting for the effects of disposals, acquisitions and weaker sterling, sales growth was 8 per cent.

The group has suffered from spending cuts in the UK national health service. However, Mr Kemp said that "sales to UK hospitals had improved although pressure on volumes remained intense."

The good summer resulted in strong sales across the whole range of Nivea and Simple skincare products, with the sale of Nivea sun-care products described as "outstanding."

The US, where Smith & Nephew has been expanding into higher value added products experienced mixed fortunes. Margins on surgeons gloves improved and pushed profits "significantly above" last year's level.

However, medical gloves at the lower end of the range have experienced strong competition from the Far East and margins have now softened significantly. As a result, profits for the US medical products group are expected to fall in the second half.

Smith & Nephew's European operations were described as "satisfactory" with a strong performance coming from Richards its German business.

Interest charges were up significantly during the period, rising from £1.1m to £4.7m. In addition to the purchase of Ioptex this reflected the costs of acquiring Albion Group, the soap and toiletries manufacturer, in August 1988, and the effect of higher interest rates.

Interest charges are expected to fall sharply, however, once the proceeds are received from the sale of Smith & Nephew's 50 per cent stake in British Tissues which was announced last month. During the period, the contribution from the stake fell from £3.5m to £2.6m.

There is an interim dividend of 1.735p (1.55p).

See Lex

Exceptional gain helps Jarvis advance to £2.4m

TAKING in an exceptional gain, pre-tax profits from J Jarvis Holdings were trebled in the year to March 31 1989.

Mr Harvey Bard, chairman of this construction and property group, said considerable progress was made, with turnover rising from £41.4m to £46.98m and profits from £732,000 to £1.67m. Adding an exceptional £719,000 gives £2.39m pre-tax this time.

Exceptional credit comprised the profit on sale of Newsweek House, Slough, for £1.1m, less group reconstruction and rationalisation costs of £414,000.

Mr Bard said the construction side achieved further growth in turnover, but the incidence of contract completions and various reorganisation costs led to a reduced profit contribution.

The property side enjoyed an active year. There were several acquisitions, including the Hanley Shopping Centre, and non-income producing development sites were sold.

Earnings were ahead from 6p to 8.9p. The final dividend is 1.5p for a total of 2.25p (1.6p).

It is proposed to alter the year-end to December 31, so the current accounts will cover nine months, and also to change the company's name to Jarvis.

Emess acquires Dutch company

By Clay Harris

Emess, the lighting and electrical accessories group, is continuing its continental expansion with the acquisition of Proflight, a Dutch company which already distributes products manufactured by Emess's Marlin subsidiary.

Sales and profits of the privately-owned group and its West German subsidiary were not disclosed, but Emess's maximum total payment, including an earn-out, will be less than £1m.

Proflight specialises in the manufacture of fittings designed for individual contracts, relying on Marlin to supply a fuller range of products.

Nash chairman in acquisition deal

By John Thornhill

Mr Andrew Holland, who in May became chairman of Nash Industries, the packaging, engineering, and property group, is to increase his holding in the company from 9.3 per cent to 24.9 per cent by means of an acquisition deal.

Minevent, Mr Holland's wholly-owned property company, is to be sold to Nash for about £4m.

The consideration will be met by the issue of 1.78m new Nash shares at an average price of 225p – representing a premium of 18p over Nash's share price on Wednesday.

This will bring Mr Holland's total holding in Nash to 24.9 per cent.

Leisure Investments disposal nets £14.6m

By Edward Sussman

LEISURE Investments, the casino, racecourse, pubs and restaurant owner, yesterday continued a series of disposals stemming from its £170m acquisition last year of Laundgate, by selling the Hotel Burstin in Folkestone for £14.6m.

It plans to use the proceeds from the hotel sale and other properties to reduce borrowing. It also intends to sell all of its overseas operations.

Mr Stephen Forsyth, Leisure chairman, said the group expects to raise £100m to £130m in total consideration from disposals over the next six months to a year. If the plan is successful, it could gear down to zero.

Analysts expect the group to realise property-related profits of about £20m, with interest charges around £12m.

Yesterday's sale was £9.66m above the Hotel Burstin's net asset value at December 31. In the final eight months of 1988 it made a pre-tax profit of £883,000.

Mr Nazmu Virani, Control chairman, said that, "properly" run, the waterfront hotel could earn £2.5m a year. He expects to develop conference and apartment facilities on the site within the next year. The 485-room facility will be the biggest of Control Securities' 11 hotels.

Rotork expands 19% to £2.7m

By John Thornhill

ROTORK, the Bath-based valve control manufacturer, raised pre-tax profits by 19 per cent from £2.3m to £2.74m in the six months to June 30, greatly helped by a strong performance from its Rotork Actuation subsidiary.

Rotork Actuation, an actuated valve manufacturer which represents the bulk of the group, lifted turnover by 26 per cent and operating profits by 36 per cent. Rotork said the rise was attributable to strong demand in the UK water and waste treatment businesses, and increasing success in winning business in international oil and power generation markets.

An encouraging performance was also recorded by Protech Instruments, Rotork said, as it benefited from the completion of internal reorganisation.

The Hone analyser business, purchased in January, has been integrated with Rotork's Ludlam Sysco subsidiary.

Mr Tom Bassie, chief executive, said the short term order book was stronger and the company was looking for further progress in the remainder of the year.

Group turnover was ahead 7 per cent at £18.4m (£17.16m). The interim dividend is raised to 3.5p (3.25p) payable from earnings per share of 5.9p (5p).

There has been some hid speculation surrounding Rotork since Control Techniques, the Welsh-based manufacturer of electronic variable speed drives, built up a 2.5 per cent stake. Rotork's share price has risen sharply this month and yesterday climbed again to 193p, up 10p on the day.

Fergabrook into profit

By Philip Coggan

FERGABROOK, the footballs, toys and plastics group, yesterday revealed its first interim profit since 1985 and a planned change of name to Clearmark.

The company made a pre-tax profit of £157,000 in the six months to June 30, compared with a loss of £2.66m in the same period last year. Turnover rose 83 per cent to £10.45m (£5.73m).

Once again there is no interim dividend, but the company will shortly propose a recapitalisation scheme designed to eliminate the deficit on the profit and loss account and allow dividend payments to resume.

Last year, Harlestone, the manufacturer of Wembley plastic footballs, reversed into Fergabrook, a toy company which had been heavily dependent on the sales of TV-related toys, such as the A-team and Thundercats.

The reorganisation was accompanied by a £2.6m rights issue and the company has since made a further rights to raise £3.3m. The loss-making security alarms and cosmetics distribution businesses have been sold.

The new chief executive, Mr Philip Harrison, said that Rainbow toys, the group'e toy subsidiary, had now pulled out of TV-related merchandise and its main product was the Diecast range of miniature vehicles.

Ridley action on Gold Fields

By Kenneth Gooding, Mining Correspondent

MR NICHOLAS Ridley, the Trade and Industry Secretary, yesterday placed severe restrictions on several blocks of shares in Consolidated Gold Fields, the diversified UK mining group, because his department has been unable to establish who owns them.

The action was requested by the department inspectors probing dealings in Gold Fields shares before and during the hostile bid by Minorco.

Although a subsequent £3.5bn bid by Hanson, the UK conglomerate, succeeded this week, the inspectors are continuing their investigation into allegations of insider dealing ahead of the Minorco bid.

This is the second time the inspectors have asked the Trade and Industry Secretary to take action.

In June, the then Secretary, Lord Young, imposed restrictions on a block of 320,000 Gold Fields shares registered in the name of Midland Bank (Overseas) on behalf of BFC Bank (Cayman).

The latest Gold Fields shares to have restrictions imposed on them include those held by: French Bank Nominees Proprietary (23,539 shares in London and 1,203 in Johannesburg); Indo-China Nominees South Africa (22,291 in South Africa); 81 Main Street Nominees (81,000 in Johannesburg); Standard Chartered Nominees (33,000 in London); and Nedbank Nominees (5,525 in Johannesburg).

The effect of Mr Ridley's order, under Section 445 of the 1985 Companies Act, is to impose four basic restrictions on the shares: any transfer is void; no voting rights can be exercised; they cannot take advantage of any rights issue of shares or accept a takeover offer; and they are not entitled to dividend payments or any other payment unless Gold Fields is liquidated.

The department said the imposition of the order did not necessarily imply any impropriety.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BP	qty	3.65☆	Nov 7	-	-	13.5
Bullers	int	0.5	-	0.5	-	2
Chieftain Group§	int	1.6	-	1.6	-	1
Compco	fin	10.6	-	6	10.a	6
Copson (F)	fin	3†	Oct 12	3	4	3
Epwin Group §	int	1.8†	Oct 27	1.8	-	5.3
Fleming High Inc	int	1.3	Oct 2	-	-	-
Foreign Colonial	int	0.6	Oct 2	0.72	-	2.26
Frost Group	int	5.25	-	4	-	9.25
Hickson Intl	int	2.6†	Oct 20	2.25	-	6.75
Independent News	int	4♣	-	3.3*	-	10*
Jarvis (J)	fin	1.5†	-	1.1	2.25	1.6
Law Debenture	int	5	-	3.75	-	10.2
Rotork	int	3.5	Oct 26	3.25	-	7.25
Smith & Nephew	int	1.735	Dec 15	1.55	-	3.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Makes 7.3p to date. Payment carries scrip option. ♣Irish currency.

Shrewd financier retains faith in the trader's credo

William Simon has been touted as a buyer for Farmers. Anatole Kaletsky expresses scepticism

WE ARE way overdue for a recession. And what's going to happen to all the leveraged buy-out companies that are betting their lives on lower interest rates and continued prosperity? The first recession is going to knock a bunch of those out of the box. I've been selling my companies, and basically I've liquefied about 80 per cent worth. I'm close enough to the top of the market."

These may be nnexpected sentiments for someone who has just emerged as a celebrity investor in Sir James Goldsmith'e bid for BAT Industries, the second biggest leveraged takeover ever attempted. But Mr William Simon, the former US Treasury Secretary, former bond trader and present master of the leveraged buy-out game, wrote these words only a month ago in an article on the financial outlook for Fortune magazine.

Mr Simon said earlier this week that he "would clearly be interested" in buying the US-based Farmers insurance group as part of BAT's prospective carve-up. But this seems unlikely to be the role scripted for him by Sir James.

Mr Simon may be best known around the world as the ill-fated Treasury Secretary and "energy czar" in the *1974-76 Ford Administration*. "I was the guy who caused the lines at gas stations," he recalls merrily.

But on Wall Street he has a very different, and more awe-inspiring, reputation – as a man whose ability to spot a bargain is equalled only by his zeal to pay the lowest possible price for it.

Thus even if Mr Simon and the partners in DP Holdings, his West Coast financial group, could raise the billions of dollars required to buy Farmers – and this is by no means certain – he would be an unlikely buyer.

Mr Simon, who was travelling yesterday and unavailable for comment, is not the kind of man who pays top dollars for a business whose price has already been bid up above all previous expectations, in this case by BAT's own acquisition of Farmers for $5.2bn last year.

He has often said that he wants to buy financial institutions now so as to use their leverage to pick up the many spectacular investment bargains that will become available after the next recession.

But having started as a bond trader, Mr Simon remains a trader at heart. He clearly still believes in the trader's credo – buy at the bottom, sell at the top. And that does not seem to be the kind of opportunity that Farmers will provide.

Mr Simon, who started on Wall Street in 1952 with a $75-a-week trading job, has a net worth estimated by Forbes Magazine last year at $290m. But his financial activities in the last few years have demonstrated that he has no intention of putting his fortune at risk by overpaying for acquisitions.

Perhaps his caution stems from the his experience in the stockmarket crash of the mid-1970s. He was in Washington and had to place in a blind trust the $5m he had salted away from his days as head of bond trading at Salomon Brothers. By the time he left government, he had lost half his wealth.

Mr Simon made a small fortune anew in the late 1970s through straightforward stock and bond speculation. He turned his small fortune into a large one from 1982 onwards, when he became one of the pioneers of the still obscure LBO business.

In his first and most celebrated LBO, Mr Simon and his partner, Mr Ray Chambers, put together $1m of equity and almost $80m of debt to buy Gibson Greeting Cards from RCA. Two years later they floated the company on the

William Simon: close enough to the top of the market

stock market for $300m, each realising a net gain of $70m on a personal investment of $330,000.

With the Gibson triumph behind them, the two partners went on to perform a number of other successful medium-sized LBOs, including Anchor Glass Containers, Permian Companies, an oil distributor, and Wilson Sporting Goods. None of these attracted the same amount of publicity as Gibson – or made as much money. But by the mid-1980s Mr Simon had established himself as one of the shrewdest financiers on Wall Street, although some of his detractors cavilled that it was Mr Chambers, rather than Mr Simon, who had come up with most of their successful ideas and deals.

In 1987, the two parted company and Mr Simon moved into an area where his political connections, as well as his nose for a bargain, could come into play.

With Mr Preston Martin, the former vice-chairman of the Federal Reserve Board, and Mr Gerald Parsky, a Los Angeles attorney who had also worked in the Ford Administration, Mr Simon set about buying savings and loan institutions along the Pacific coast.

Their business started brilliantly, with the acquisition of several S&Ls in Hawaii, just after the regulators and financial markets had become terrified by the apparent glut of real estate on the islands and just before a flood of Japanese investment money unleashed one of the biggest property booms the state had ever seen.

The partnership went on to acquire a number of S&Ls in California, shrewdly combining solvent institutions with failed ones and thereby securing government financial support and tax concessions for both groups. But Mr Simon's largest single acquisition in this buying spree required an investment of only $225m.

And even the $500m or so Mr Simon was thought to have offered in its unsuccessful bid for California's largest S&L, the bankrupt Financial Corporation of America, was a far cry from the many billions he would require to buy Farmers Group.

Thus if Mr Simon did take part in a bid for Farmers, it would probably be as a facilitator on behalf of a much larger partner, most likely an insurance company from Europe or Japan. In this role, Mr Simon's political and business connections, both in Washington and in the West Coast states where Farmers does most of its business, could prove invaluable.

THE PROPERTY MARKET

Japan builds up London portfolio

Paul Cheeseright reports on the growing number of Japanese purchases in central London

Japanese influence in the central London market has been growing steadily and is likely to increase. Arguably the main source of this influence will not be the property and construction groups, as in the past, but the life companies.

There is a foretaste of this in the purchase this week by Asahi Life of Legal & General's leasehold interest in Leadenhall Court, a City building, for £118.75m. This is Asahi Life's first European property purchase.

The yield works out at 4.7 per cent, but Asahi cannot expect much growth in the building's value over the short term. For a start, the building was only let last March – to Sun Alliance – so the next review is more than four years away. Further, the rent at £70 a square foot is so high that a big rise can probably be ruled out even then.

So Asahi, as is the Japanese wont, is clearly buying for the long term. Its purchase underpins the contention of Weatherall, Green & Smith that "Japanese investment is *the* market over £50m."

During the first half of the year, Savills calculated that £2.48bn had been invested in the central London market compared with £2.47bn for the whole of 1988. Of that £2.48bn, Japanese money accounted for £1bn. Putting that in perspective, Japanese investment was twice as much as the investment from all sources in the central London market five years ago.

There is now a growing feeling that what has happened in the US, where Japanese buying has mopped up prime buildings in big centres, is starting to happen in Europe with London as the entry point to this wider market.

Stuart Reid, who studies the investment pattern of the Japanese life companies from the Weatherall Green & Smith office in Tokyo, anticipates that the nine largest life companies could spend £700m in London this year.

His calculations come down to the weight-of-money argument. "The revenues of the investing institutions are expanding in excess of 20 per cent a year." Some money has been finding its way into the US real estate market. The excess is likely to come to Europe. What is happening now is that two years of research into the market is coming to fruition.

The top four life companies are Nippon Life, Daichi, Sumitomo and Meiji, which probably have up to $1bn each available for property investment. These four are followed by Asahi, Mitsui, Taiyo – which is not active internationally – Yasuda, Chiyoda and Tobo.

It has taken the Japanese life companies about eight years to build up their US portfolios. But the European markets are tighter. The amount of stock is smaller. The process of buying may well happen more quickly in Europe.

Once the purchase has been made, the property is, to all intents and purposes, off the market for good. "If you speak to any senior members of the life companies and ask how they sell a building, they clam up, squirm a little, and then say they have never sold one," said Mr Reid. The implications for the market are considerable. "One reason they can buy at aggressive yields is because they are not looking for an exit yield," he noted.

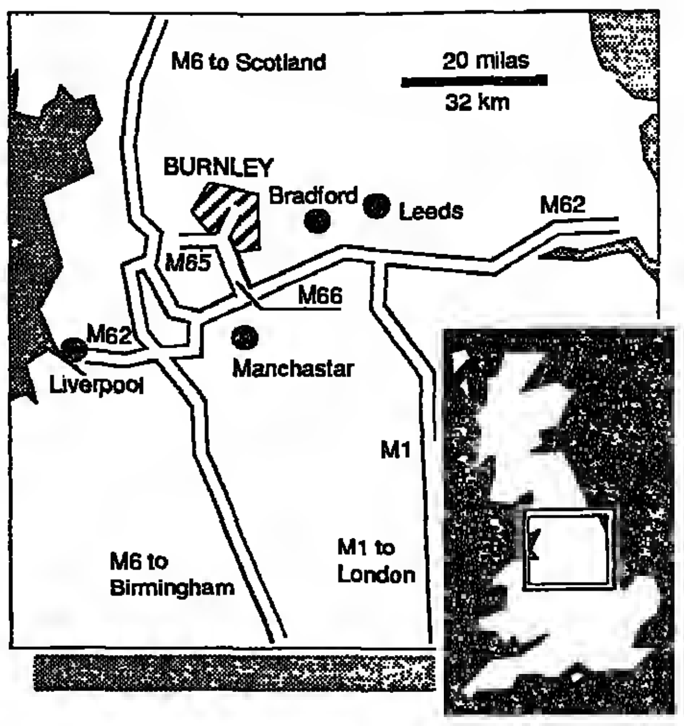
But this buying is likely to be highly selective. Japanese buying in the US has concentrated on the major centres. It has concentrated on prime office buildings. So the pressure will be on London, Paris and Frankfurt.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to May 89	16.8	22.4	25.1	20.4
Monthly rate – May 89	2.0	1.9	2.0	1.9

Source: Investment Property Databank

Benefits of Burnley



ONE TOWN where there will be no Japanese property investment is Burnley. It is doubtful whether Japanese investment managers have ever heard of Burnley. There is no reason why they should have done.

But Burnley is a manufacturing town where property values have been affected by the growth in the economy and massaged by the spread of the motorway network. Yet its property is for working in. The retail sector apart, it is not an investment play for outsiders.

There are exceptions. Office buildings have changed hands at auctions – the latest, Safeway House, was sold on a yield of over 12 per cent, an interesting contrast to Leadenhall Court. As Brent Forbes of H.W. Petty, chartered surveyors in Burnley, commented: "The growth prospects are limited, so you need a high return; you're not going to get it at the first rent review."

There is a minor investment market in enterprise zone properties. At the Rossendale Road industrial estate, Trans Britannia Properties has been appealing to the tax shelter market, offering the chance to buy in on an initial yield of 7.5 per cent.

Investment possibilities are limited in the town centre simply by virtue of the fact that there has been hardly any new developments since the 1960s when 10 acres were flattened and redeveloped. But office demand has not been pressing: the growth of the services sector in Burnley has been slower than the national average.

In any case, sites for new offices in the tight town centre are scarce and latterly there has been increasing emphasis on refurbishment. But there are few quality premises available for leasing, save the Anvic Construction conversion of an old mill, Lodge House, where rents will be £7.00-£8.00 a square foot.

Rents across all sectors reflect distance from Manchester. Just as rents down the M4 decline westwards from London, so they diminish north from Manchester. In Burnley, in the favoured conditions of the enterprise zone, there is evidence of willingness to pay £3.00-£3.15, but less outside.

Indeed, industrial rents, according to the Burnley and Pendle Development Association, start from 50p a square foot for premises built before 1945, often in old textile mills. But, just as elsewhere in Britain over the last two years, there has been a rise in the market. Two years ago, in the enterprise zone, rents were less than £2.00.

Still, rents of around £3.00 would scarcely seem a spur to new development. But, said Mr Forbes, "developers can afford £3.00 a square foot because in the first instance they bought the land cheaply."

On the enterprise zone, where virtually all new industrial property development has concentrated, all the land has been taken up and there has not been a transaction for a couple of years, when prices ran up to £30,000 an acre. This is less than a third of the price for recent deals at another, better situated enterprise zone in neighbouring Pendle.

Smaller units throughout the town have been taken up by local business, but the larger units – 20,000 square feet and more – have been taken up by new businesses. Burnley is a modestly successful competitor in the inward investment race. But so far the Japanese have passed it by.

INTERNATIONAL PROPERTY

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COMMODITIES AND AGRICULTURE

US crop report may show fall in cotton

THE US Agriculture Department's latest crop report, due for release last night, was expected to project a further drop in 1988-89 US cotton output as a result of adverse weather – too wet in some growing areas and too dry in others, reports Reuter from Washington.

The maize, wheat and soyabean trade were also anxiously awaiting the report's new production and carryover stocks figures, which could influence market prices and US policy. Marginally higher acreage figures for maize and soyabeans are expected in the report, the first based on field surveys and regarded as the most reliable of the year.

Mr Dean Ethridge, the National Cotton Council's chief economist, said he expected cotton output to be projected below last month's initial estimate of 12m bales (480 lbs each) and much lower than the 1987-88 production of 14.76m bales.

"If the figure goes well below 12m, it will put upward pressure on prices," he said.

Cotton analysts were expecting an output figure of between 11.40m and 11.60m bales.

"The production figures are also important because cotton production in China and the Soviet Union is also declining," Mr Ethridge said.

Maize traders expected this season's US crop to be projected at between 7.29bn bushels and 7.76bn bushels, averaging around the July estimate of 7.43bn, but well above the drought-stunted final output of 4.9bn bushels in 1988-89.

Particular interest was focused on the USDA's projection of 1989-90 maize end of season stocks, said Mr Mike Hall, Washington representative of the National Corn Growers' Association.

The Agriculture Department would be required to raise the 1990-91 corn acreage reduction programme to at least 12.5 per cent from the current 10 per cent if carryover stocks were likely to exceed 2bn bushels.

Most analysts expect the maize stocks figure to be between 1.90bn and 2.05bn bushels.

Wheat trade sources expect the estimate of all wheat output to fall no lower than 1.95bn bushels from the 2.12bn bushels forecast in July.

"Any fall in all wheat production may be attributed to deterioration in the spring wheat crop in the north-western states due to extremely dry weather," said a USDA analyst.

Soyabean output figures are expected at between 1.9bn and 2.01bn bushels in the report, close to the 1.95bn bushels estimated in the July report.

Harnessing farming profits to high street power

Bridget Bloom visits a fenland production unit preparing ready-made salads for the multiple stores

A FAINT smell of curry wafted across the fen, an incongruous accompaniment to the flat acres of wheat, potatoes, carrots and onions for which this part of Lincolnshire is known.

The explanation for the smell lay in long, low buildings at the end of the farm drive: Henry Tinsley, farmer of 5,000 acres at Holbeach St Mark's, is adding value to his traditional occupation by preparing fresh foods for high street retailers: to coleslaws and potato salads has recently been added vegetable curry.

Mr Tinsley is by no stretch of the imagination a typical British farmer: his holding, in the family for several generations, is much bigger than most and so, thanks to his decision to diversify his business, is his turnover: £40m this year, and growing fast.

Yet he well illustrates one of the key changes in Britain's food and farming industries over the past decade or so, brought about principally by the increasing power of the multiple retailers but also by farmers' own search for greater profit.

In the fresh produce sector at least, the days are long gone when farmers produced their vegetables, salad or fruit for the wholesale market and a multitude of retailers or their agents bought their supplies there.

Today the £33bn food market is dominated by the multiple retailers – Sainsbury, Tesco, Argyll (Safeway/Presto), Gateway and Asda together account for more than 60 per cent of that total. The intense competition between the groups, together with increasing consumer demand for more varied food, has led retailers to deal directly with producers.

The resulting relationship, often tense and viewed as frustrating by farmers, is at the heart of today's retail trade in fresh produce as well as in the increasingly popular field of ready-prepared and so called cook-chill foods.

Tinsley Foods – the farming business is now financially separate from the "added value" operation – is one of the biggest suppliers of fresh and prepared produce to the multiples, typical in its development of the largest suppliers today.

The Tinsley farm started as a traditional operation, principally growing wheat and potatoes. Its direct dealings with the big retailers began in the mid-1960s when it started supplying carrots, parsnips and onions to Marks and Spencer.

"By the mid 1970s our whole business was turning over £4m," says Henry Tinsley, who took over as managing director in 1982. "The major growth has been in the last five or six years, with the burgeoning demand for prepared foods."

There are perhaps a dozen other suppliers in a similar league to Mr Tinsley, if mostly with smaller turnover. Kent Salads, for example, runs on the estate of Lord Northbourne and with a turnover last year of about £12m compared with £2.5m in 1982, grows iceberg lettuces and has diversified into growing, importing and preparing exotic salads such as lollo lettuce or frisee.

In a different sector, Scotbeef is a company involved, with farmers, in breeding, rearing and fattening a new type of pig for fresh pork for Marks and Spencer.

Between them, according to Food from Britain, the government sponsored food promotion body, these companies, together with about a dozen large marketing co-operatives, furnish perhaps 45 per cent of the domestic fresh produce going to the multiples.

However, while it might seem otherwise, the experience of Mr Tinsley and others like him is almost certainly not the answer for the general run of farmers now suffering from the downturn in fortunes as EC subsidies and farm budgets are cut back.

As Ross McLaren, director of produce at Sainsbury, puts it, the principal reason for this is that an operation of Tinsley's proportions demands the sort of management resources and skills which very few farmers can provide.

Mr McLaren, and his opposite number at M & S, Dr Tom Clayton, both acknowledge that dealing with the multiples is a tough business. None of them has formal contracts with their suppliers, and very rarely invest anything in the supplying company, even when exclusivity of supply is demanded. (The most they admit to is the payment of occasional small sums for research or for trials of new products.)

Whatever the product, the pattern followed is similar. "Programmes" of supply are established between retailer and supplier which, Mr McLaren maintains, are as good as contracts for "they're like gold for the bank manager." Then the supplier grows, imports or otherwise produces his raw materials and packs, prices and delivers his product. He is paid only after delivery.

Against the background of increasing competition in the retailing business, the major advantage of such a system for the retailer is obvious. As Ross McLaren points out: "We long ago stopped buying most of our supplies on the wholesale market because a direct relationship with the supplier gives us the three vital things we need: the ability to determine the product's quality, its availability and consistency of supply."

This degree of control also enables the multiples to "audit the trail" of a product, Mr McLaren says, pointing out that in the recent scare over the use of Alar, the growth regulator, on apples, the company could check back with its suppliers on whether the suspect product had been used "with a speed that would have been unheard of if we were still buying all our apples on the wholesale market."

M & S, traditionally not a food store but which has led the way in prepared foods, has developed its own controls over the last 20 years to the point where every element in the ultimate product is supervised. The controls cover the quality of the raw material, including pesticides used on crops or the composition of an animal's feed and its means of slaughter to the construction and hygiene of food factories, where staff are even stool-tested.

The bigger suppliers can cope with these controls and indeed acknowledge that without the input of technical expertise on a continuing basis they would not be where they are today. They tend to use the same image: "It grows to be like a marriage," says Henry Tinsley. "Trust is vital but conflict is sometimes inevitable."

Others baulk at the controls, however, and dislike what has been termed the "fear factor" in the relationship. One Norfolk farmer, supplying fresh but graded and packed produce to a range of multiples, spoke angrily of the "trickery" of one retailing group. He had been persuaded to install new grading machines to increase his income from carrots, "only to find that the company drove the price down again as soon as the machines were in working order."

Another farmer spoke of the lack of flexibility: "Our driver only has to be an hour late and his truck-load of produce can be rejected. Yet they'll happily keep us waiting for three hours without even considering compensation."

A dairy farmer seeking to diversify said at first he was "outraged" at the demands made on his company in the year before it was accepted as an M & S supplier. "They put everything, from the Formica worktops to all our managers under the microscope before we were pronounced OK," he said – though he accepted that ultimately such scrutiny had proved helpful to the company's efficiency.

There is much grumbling among farmer suppliers, too, at the demand by some retailers (though not, apparently, either M & S or Sainsbury) for what are known as over-riders: a type of commission demanded by the buyers of multiples as their orders increase in value.

However, in spite of much talk in farming circles of the cut-throat nature of the business, and of resultant farmer bankruptcies, actual examples of such extremity are hard to find.

Those suppliers who have succeeded in dealing with the multiples and as a result now have a secure and profitable market, have done so principally because of good management, including the ability to spread their range of customers, with none accounting for more than about 40 per cent of turnover.

The general expectation is that they will get bigger, and probably fewer, as the competition between the multiples themselves intensifies over the next few years.

It seems that the average farmer, though he can certainly increase his market opportunities by combining with others to sell his produce, will have to look elsewhere to make good the profits no longer available from traditional, subsidised farming.

Other articles on the supplier-retailer relationship appeared on this page on May 25 and June 22.

Norwegian fish farming under threat from algae

By Karen Fossli in Oslo

A DEADLY algae, which may have blossomed because of high rainfall this summer, threatens to wipe out the fish farming community on Norway's west coast.

A group of Norwegian experts is currently working to determine the origin and effects of the algae, *prymnesium parvum*. They are not sure whether it kills by suffocation or through toxicity.

Already 400 tonnes of salmon have either died or been slaughtered because of exposure to the algae.

In May last year a different algae species, *chrysochromulina polylepsis*, made its way from the Baltic Sea to the coastal streams of Norway's south and west coasts.

Although the symptoms of both algae are similar, the experts have so far determined that they have no common origin.

During last year's outbreak, sea cages had to be towed into fjord areas to avoid the algae. However, this year's algae has originated in fjords near Sauda, north of Stavanger. The fjords are very narrow and deep, and it may be easy to prevent the algae from spreading, at the expense of the farms in that locality.

The experts also suggest that the algae may have blossomed because of high concentrations of calcium and magnesium in the water, although they believe it will be days before they can determine the cause of the problem.

This year Norway is forecast to produce some 80,000 to 90,000 tonnes of farmed salmon. Last year the industry farmed 70,000 tonnes worth NKr3bn (£267m).

Chief US coffee negotiator is replaced

MR JON Rosenbaum is being replaced as the chief US coffee negotiator, but the move does not signal a shift in US coffee policy, officials at the US trade representative's office said, reports Reuter from Washington.

Mr Rosenbaum will leave his position as assistant US trade representative for Latin America, the Caribbean and Africa on September 1 and will be replaced by Mr James Murphy, who is currently assistant US trade representative for Europe and the Mediterranean, the officials said.

Mr Rosenbaum has headed US efforts to overhaul the export quota accord that until last month governed world coffee trade.

Funds shortage 'hampers development of EC agriculture policy'

By Tim Dickson in Brussels

EFFORTS TO develop a coherent "structures" policy for European agriculture have traditionally been hampered by the relatively small sums of money left in the kitty after the bloated cost of price support has been met from Community coffers.

For example, about 95 per cent of FEOGA – the French language acronym for the EC's farm fund – has typically been devoted to supporting production via subsidies, storage aid and other market controls. Only 5 per cent is spent on measures to develop and modernise agriculture, improve productivity, and strengthen the rural infrastructure.

No doubt conscious that the pendulum may be starting to swing the other way the World Wide Fund for Nature (formerly the World Wildlife Fund) has just published a discussion paper* on the Common Agricultural Policy and the environment in which the impact of the CAP's "structural" dimension is put under the spotlight.

Besides listing various strictures about the adverse environmental impact of current schemes – and urging others to campaign for a "greener" input into new measures – the paper provides a useful summary of the development of the CAP in this area and highlights the incoherence of some past thinking on the issue.

In a section on "failings and drawbacks," for instance, it points out that because of the tiny proportion of overall funds devoted to structures policies they "have been ineffective in the very difficult task of closing the gap between rich and poor regions."

Average farm incomes in the Paris basin region are now six times those in the poorest parts of Italy and Greece, and the gulf between the richest and poorest farmers is greater still.

Another failing has been the fragmentation of policy: the range of schemes "has expanded without much regard to an overall plan and sometimes new initiatives replicate the weaknesses of earlier efforts. . . Many schemes still encourage farmers to invest more in their holdings and increase their efficiency and output at a time when the Community is trying to control or cut back most types of production."

Among subsidies which can be detrimental to the environment, the Fund lists irrigation schemes which draw down water levels and dry out wetlands, and land improvements such as the ploughing and reseeding of pasture, which may increase agricultural productivity in the right conditions but which may also result in a loss of habitat.

The paper welcomes the 1987 regulation which provided aid for farmers in environmentally sensitive areas – an annual payment per hectare can be given to farmers in "sensitive areas" who adhere to appropriate farming methods, as defined by individual member states, for at least five years – but says "very little money" has so far been earmarked.

On recent developments such as the set-aside scheme for arable farmers and the extensification measure which rewards producers who agree to reduce their output of surplus products, the paper points out that "millions of hectares could be affected before the end of the century."

"It is vital that environmental interests have a voice in the design of the new policies and that opportunities for promoting environmentally sensitive farming and new wildlife habitat are recognised and made use of."

*Available free from WWF International, CH-1196 Gland, Switzerland.

WORLD COMMODITIES PRICES

LONDON MARKETS

LONDON METAL Exchange zinc prices climbed to 4-month highs yesterday as concern about a Peruvian miners' strike called for the start of next week prompted a wave of short-covering. The cash price for high grade metal closed at $1,692.50 a tonne, up $60 on the day. Nickel also put in a firmer performance, although values were trimmed near the close as buying was constrained by chart-based resistance. Nevertheless the cash price on the LME ended $475 up at $13,150 a tonne. Coffee prices slid back towards recent 5-year lows as Brazilian exporters, who had been holding back earlier in the week, went on what dealers described as "another selling spree." Trade selling was also reported as the November position on the London futures market dipped to £753 a tonne at one stage before ending the day £16 down on balance at £762 a tonne.

COCOA £/tonne

	Close	Previous	High/Low
Sep	868	870	873 862
Dec	928	928	934 920
Mar	899	897	901 891
May	904	902	906 896
Jul	916	915	916 912

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,450 tonne
Cash	1784-5	1752-4		1771-2		
3 months	1778-9	1757-8	1782/1765	1770-1	1781-3	31,074 lots
Copper, Grade A (£ per tonne)						Ring turnover 20,750 tonne

US MARKETS

IN THE METALS, the precious metals were listless and traded in a narrow range reflecting quieter currency markets and ahead of tomorrows P.P.I., reports Drexel Burnham Lambert. Palladium fell as the market penetrated technical support. Copper rallied on good trade buying. Crude oil futures continued to rally as the market reflected a possible squeeze in London. Reports of possible German buying in the London gas oil helped pull the products higher. Coffee fell sharply amid reports of origin selling, cocoa was featureless and sugar declined as trade and commission house selling elected sell-stops. Cotton rallied as buy stops were touched-off in the face of trade selling. The soybean complex and corn rallied on short-covering ahead of the crop report, corn derived additional strength from a sizeable tender expected from Mexico. Wheat fell in quiet trading on profit-taking. Live hogs felt influenced by expectations of higher hog marketings, live cattle finished roughly unchanged on the day with technical selling counterbalancing anticipation of higher cash prices. Pork bellies also closed roughly unchanged.

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	112.60	110.95	112.60	112.60
Sep	112.25	110.70	112.60	111.60
Oct	111.30	109.80	0	0
Dec	109.50	108.00	110.00	108.80

New York

Chicago

LONDON STOCK EXCHANGE

Profit-taking cuts into equity gains

IN THE absence of any of the widely-rumoured large corporate developments, the UK stock market showed signs of weariness yesterday, and closed with a double digit fall. The Footsie 2,350 level was lost in late dealings when Wall Street, too, appeared to be jibbing at an important support level. London's Seaq trading volume was high, but selling appeared to be coming mostly from market makers trimming their positions rather than private or institutional investors.

Today brings the end of the current equity trading Account and the opening of the new three week trading period: extended trading Accounts over the August holiday period are invariably unpopular with market makers and professional traders alike.

The course of yesterday's session was complicated by problems on the electronic reporting system. First, an incorrect price entry for British Telecom sent the Footsie Index plunging before automatic checking systems put it on "hold". Then towards the close there were further screen problems which briefly blotted out details of trading in some stocks.

The day started on a gloomy note as London, lacking a convincing lead from Wall Street, showed disappointment at the absence of a confidently-predicted bid in the food share sector. Trading results from BTR Nylex served to damp down bid speculation in Pilkingtons.

Indications of a return to investment fundamentals were emphasised by an investment note from Nomura Research which warned that "the market faces a serious short term setback", adding that prospects for a downside move to FT-SE 2,150 outweigh upside potential in the immediate future.

The FT-SE 2,350 mark was lost as London sensed a slow start on Wall Street; this level has been seen as a possible top for the current trading range and traders claimed some satisfaction yesterday when the Index tried to steady below this point. At its final reading of 2,347.3, the FT-SE Index was 13.1 points down; Seaq volume of 574.7m shares compared with 521.9m on Wednesday.

Quarterly trading statements from the major oil companies were well received in the market but had little effect across the broader range of equities. Glaxo and ICI set the trend for the blue chips, opening higher but fading away before the close in modest turnover.

The bid fever which has driven the market over the past week showed signs of subsiding yesterday, and only a handful of speculative shares managed to stand out against the generally dull background. BAT Industries gave further ground as a number of US Congressmen expressed concern over the offer for the tobacco and finance group from the consortium headed by Sir James Goldsmith.

Account Dealing Dates

First Dealings:	Jul 31	Aug 14	Sep 4
Option Declarations:	Aug 10	Aug 31	Sep 14
Last Dealings:	Aug 11	Sep 1	Sep 15
Account Day:	Aug 21	Sep 11	Sep 25

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Aug 10	Aug 9	Aug 8	Aug 7	Aug 4	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.54	87.38	87.34	86.87	86.87	87.92	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.71	97.38	97.63	97.39	96.04	97.45	99.69 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1961.4	1972.0	1962.3	1957.0	1940.8	1477.5	1972.0 (9/8)	1447.8 (3/1)	1972.0 (9/8/89)	49.4 (26/6/40)
Gold Mines	197.2	197.9	198.2	202.4	202.8	188.8	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2347.3	2360.4	2348.1	2341.5	2327.5	1835.2	2360.4 (9/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.02	4.00*	4.01*	4.03*	4.05*	4.59*				
Earning Yld % (full)	9.86	9.89*	9.81*	9.90*	9.74*	11.65*				
P/E Ratio (Net)(*)	12.49	12.57*	12.54*	12.49*	12.38*	10.46*				
SEAQ Bargains (5pm)	32,477	29,632	33,020	27,803	29,073	24,059				
Equity Turnover (£m)†	-	1123.20	1132.28	957.65	2271.52	979.60				
Equity Bargains†	-	30,765	32,906	28,233	29,073	26,733				
Shares Traded (ml)†	-	454.7	418.1	369.3	758.4	420.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ★ Nil 12.57. * Corrected figures.

Ordinary Share Index, Hourly changes — Day's High 1973.8 — Day's Low 1959.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1969.2	1967.7	1973.1	1970.3	1871.8	1967.4	1963.5	1960.8

FT-SE, Hourly changes — Day's High 2364.7 — Day's Low 2346.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2355.4	2355.8	2363.3	2360.1	2360.9	2355.5	2351.8	2346.9

S.E. ACTIVITY

Indices	Aug 9	Aug 8
Gilt Edged Bargains	102.0	102.9
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	95.9	92.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

Elders' stake in question

A growing belief that Elders IXL has sold all or part of its 23.6 per cent stake helped brewer Scottish & Newcastle outperform the market against the background of good demand for the traded options and the underlying stock. Although there was no official confirmation that the stake had changed hands, the speculation was sufficient to lift S&N 9 higher to 404p on turnover of 4.1m shares.

The talk in the market was that an overseas brewing group had bought the stake, but would not be using it to launch a full bid. Two names were mentioned; Anheuser Busch of the US and Löwenbräu of West Germany. The former was generally regarded as the more likely buyer, for two reasons.

Anheuser has an agreement with Grand Metropolitan whereby the UK group brews and sells Anheuser's Budweiser beer in Britain. But Grand Met is thought to be keen to move out of brewing, so Anheuser could soon be looking for a new partner to take on the Budweiser operation in the UK.

Secondly, Anheuser is building a new leisure park in Spain to add to its many in the US. The park is said to be similar in style to those run by Center Parcs, the recently acquired subsidiary of S&N. A joint operation to run European leisure parks, therefore, could be benefit both Anheuser and S&N, said analysts.

Oils steady

The oil majors were among the market's more resilient performers after the two top companies, BP and Shell, revealed generally pleasing second quarter figures.

Shell, announcing figures before BP, came out with historic cost net income of £1.006bn, compared with the £633m in the same period last year. The results, at the very top end of estimates, saw Shell shares marked up to 439p before the general market slide caused a reaction to 434p at the close, a net fall of 1½; turnover in Shell was a disappointing 2.1m, dealers said. Commenting on the figures, Mr. Humphrey Harrison at Kitcat & Aitken said the shares "remain a buy".

Mr Nick Clayton at Smith New Court said the figures were "appreciably better than expectations" and he lifted his full-year forecast from £3.8bn to £3.95bn. BP's figures, according to Mr Clayton, "underpin my full-year number of £1.7bn". For the second quarter, BP reported net income of £477m against £367m last time.

Mr Fergus MacLeod at BZW took the accolade as the analyst coming closest to Shell's actual profits figure, but he said he was worried by the wide range of forecasts – from £3.5bn to £4.2bn – for the full year and also by uncertainties surrounding chemicals and refining: "It's difficult to see Shell shares outperforming in the near term," said Mr MacLeod. As for BP, he saw "same problem but on a smaller scale – BP is less exposed to refining."

Nylex disappoints

Much heralded figures from BTR's Australian subsidiary BTR Nylex marginally disappointed the market. The resulting downward pressure on the stock was exacerbated by memories of a set of excellent figures last time, which took investors by surprise and sent BTR's share price sharply ahead.

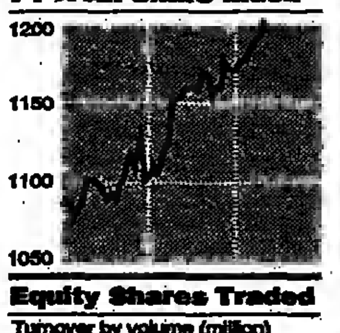
This week BTR's share price has been strong, ahead of the Nylex announcement, but yesterday it fell 9 to 419p, as 2.5m shares changed hands. BTR still faces two problems, said one analyst, in the shape of slow business with China since political disturbances there, and weakening margins as raw material costs rise. The Nylex results disappointed hopes that good profits might have heralded a fresh move against Pilkington by BTR.

Burmah shares raced ahead, outperforming the rest of the oil sector, with specialists talking of a single buying order of between 300,000 and 350,000 shares late on Wednesday that caught the market short of stock and prompted a fresh round of stories of possible stake-building. Burmah shares settled 12 up at 645p albeit in thin turnover of 668,000 shares.

One dealer, who saw Burmah perform in a similar fashion only weeks ago before the stock's sharp retreat, remarked sceptically "I'm waiting to see the takeover cash on the table before advising clients on what to do."

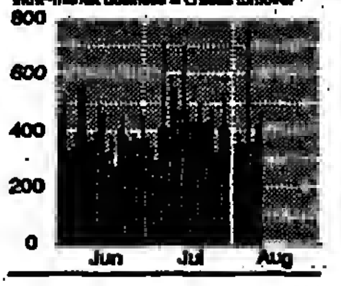
Among other speculative stories on Burmah there was a wild rumour that a bid from Ultramar could be on the way. "Which would create a company with the biggest ACT [advanced corporation tax] problem in the UK market," said one analyst while there was also talk that the shares were being talked up again to enable Dutch group SHV to place its near 4 per cent holding in Burmah.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



The move by Dutch group DSM to take a 9.7 per cent stake in Clyde Petroleum, by transferring two of its UK subsidiariesto Clyde, was described by one analyst as "a bread and butter deal – mutually beneficial." Clyde added 2¼ at 160p on the news.

The lastest traffic and capacity figures from British Airways did nothing to help the stock, which shed 6 to 197p.

Smith and Nephew posted an 18 per cent profits rise to £61.4m, which helped the shares to resist the wider market's weakness. They ended a penny better at 138p on good volume of 4.3m shares.

A rare gain among weaker stores was posted by Dixons, which finished 3 better at 165p on turnover of 4.4m shares. Dixons were buoyed by heavy business in the options (contracts representing 2.5m shares were traded), buying for the dividend due on Monday, and by hopes that the retailer is beginning to turn around its business. One analyst who believes Dixons are worth a buy is Mr Nick Bubb of Morgan Stanley. He believes that if anyone is interested in bidding for the company, now would be the right time to strike. Dixons appears to have stopped the trading rot and finally halted the decline in its market share.

Dixons aside, it was downhill all the way for retail stocks. Kingfisher, which has been such a good market in the past months, took a tumble, falling 9 to 353p on turnover of 3.2m in the wake of cautious words from several brokers, notably Hoare Govett, which says sales of diy and electrical goods will be particularly poor in the second half of this year.

Also weaker were GUS, down 18 at 1088p and undermined by a large seller of stock at a price around 1080p. Opinion appears to be swinging the way of Boots victory over Ward White judging by market sentiment; Boots finished down 6 at 294p and Ward White down 2 at 458p.

British Steel slipped 2 to 75p as institutions sold ahead of the end of the Account today. Marketmakers also noticed stock coming on offer from US shareholders and expressed wariness of the stock. Turnover was 14m shares.

GKN weakened in early trade after Wednesday's figures and recent strong rises. It touched 453p before rallying in the afternoon, helped by French interest, to close a net 2 firmer at 460p. Turnover was a strong 2.2m shares.

Clyde Blowers, which makes soot blowing equipment, typified the volatility of thinly traded stocks by jumping 25 to 508p before closing at 498p. "It only takes a thousand share order to move the price," said a marketmaker.

Once again investors were buying call options in Asda in anticipation of a bid, said to be due within the next three weeks. Contracts worth more than 3m shares were traded, while the underlying stock added a penny at 208½p on turnover of 11m.

Among manufacturers bid fever returned to dairy group Unigate, up 4 at 418p, and Dalgety, up 3 at 420p, while profits were taken in recent takeover favourites United Biscuits, 9 lighter at 393p, and Cadbury Schweppes, 10 lighter at 427p. Brokers' downgrades continue to take the shine off Booker, down a further 10 at 452p.

Cable & Wireless (C&W) were described by one senior electronics analyst as "the only game in town" yesterday as the shares followed up Wednesday's 25p leap with a further 19 rise to 578p, after 580p; turnover at 8.4m shares was significantly above average. The market is looking for a sharp increase in US activity in the stock after the offering to US investors of ADS's is completed in September. But as the same analyst put it "there is always the danger of over-excitement with this sort of thing."

British Telecom continued to perform badly against the sector and the rest of the market, disturbed by a recent bearish note issued by BZW and nervous selling ahead of the first quarter figures expected on August 17. At the close BT were 2½ off at 255p on turnover of 7m.

GEC took a tumble, slipping 5 to 276p on 8.9m – "they look a shade overbought," said one trader. Thorn EMI lost 5 more to 830p with dealers tending to disregard stories of a possible rights issue – "the market's view is that a eurobond issue is much more likely as a fund raising exercise rather than a straightforward rights issue."

Ferranti lost 3 to 82p on turnover 5.4m reflecting the group's failure to win the contract to supply command and control systems to the Royal Navy's new Type 23 frigates.

Shares in Pearson moved up again, but closed below the best in unimpressive turnover. After touching 809p, the stock closed at 803p, a net gain of 4, with 613,000 shares traded.

After the market closed Reed Executive posted an announcement saying that a French stockbroker's client hed acquired a little more than 5 per cent of the share capital of the company. Reed said it was "making urgent inquiries to obtain precise information to determine the exact number of shares acquired, the percentage holding and the identity of the shareholder."

Diversified distributor Parkfield Group jumped 25 to 249 on stories of analysts' upgradings. Mr Arun Lahiri, analyst at Parkfield broker Laing & Cruickshank, raised his forecast for the current year's profits from £32.5m to £35m. He said that the company has had a good first quarter, with new capital equipment in castings and pressings coming smoothly on stream in July. Video distribution had also done well, said Mr Lahiri, during a normally weak period, partly because of the publicity surrounding the launch of the feature film Batman.

Mr Matthew Sutherland, who follows Parkfield at Kleinwort Benson, has been positive on the stock all this week. He quoted market tales which suggested that either the company's engineering or entertainment divisions might be floated off, or subject to an MBO.

Laird Group climbed 13 to 283p as dealers looked forward to any news that might be revealed with interim figures due on August 16. "They brought the figures forward and they never do that unless they have something to say," said a marketmaker. Westland and its warrants both put on 4 to 146p and 72p respectively, on stories that GKN would soon bid for the company. Although GKN already has a 22 per cent stake, more thoughtful marketmakers gave little credence to the idea.

Investors appeared to be looking to buy Arlington Securities to earn the right to swap into British Aerospace convertible preference shares. As part of its agreed bid for Arlington, BAe has offered 10 new preference shares for every three Arlington ordinary.

The Kuwait Investment Office's 16.18 per cent stake in Arlington was placed in the market on Wednesday, and dealers said that there was no shortage of buyers yesterday willing to pay above the odds for Arlington stock because of the attraction of the BAe preference shares. Arlington closed steady at 342p on turnover of 1.1m, while BAe ended 9 easier at 504p; dealers blamed the recent expiry of the August option on the stock for BAe's weakness.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	10,425	208½	+1
Abbey National	3,900	145	+½
Allied-Lyons	2,800	528	+4
Amstrad	5,100	73	+5
Argyll Group	2,600	242	-2
Ass. Brit. Foods	332	398	+1
BAA	467	366	-7
BAT Inds.	2,300	857	-8
BET	1,000	317	+3
BICC	589	550	+3
BOC	1,400	519	-4
BPB Inds.	1,400	254	
BTR	2,450	419	-9
Barclays	1,900	523	+1
Bass	308	1082	-2
Blue Circle	1,300	271	-5
Boots	1,800	294	-6
Brit. & Comm.	3,700	192	-1
Brit. Aerospace	1,700	704	-9
British Airways	4,500	197	-6
British Gas	5,899	206½	-½
British Land	578	376	-7
BP	6,200	296	-1½
British Steel	14,000	75¼	-2
British Telecom	7,000	255	-2½
Burmah Oil	668	645	+12
Burton	1,700	248	-6
Cable & Wireless	8,350	578	+19
Cadbury Schweppes	4,700	427	-10
Carlton Comms.	141	845	-10
Commercial Union	4,300	410	+8
Cons. Gold Fields	172	1478	

Stock	Volume 000's	Closing Price	Day's change
Cookson	451	371	-3
Courtaulds	546	367½	-1½
Dalgety	446	420	+3
Dixons	4,390	165	+3
Eng. China Clays	920	493	-3
Enterprise Oil	174	595	
FKI Babcock	5,200	184	+2
Fisons	2,600	355	
General Accident	592	1060	+2
General Elec.	8,900	276	-5
Glaxo	1,400	1925	-18
Globe Inv.	190	202	+2½
Glynwed Intl.	943	310	+2
Granada	714	381	+2
Grand Met.	1,600	632	+4
GUS A	1,500	1088	-18
GRE	1,600	215	-2
GKN	3,200	460	+2
Guinness	1,000	583	-5
Hammerson "A"	59	796	-5
Hanson	4,800	237½	-1½
Harrisons & Cros.	585	166	-1
Hawker Siddeley	332	750	
Hillsdown Hldgs.	2,500	303	-3
IMI	687	240	-1
Imp. Chem.	1,460	1308	-5
Inchcape	1,100	300	+9
Jaguar	507	391	-8
Kingfisher	3,200	353	-9
Ladbroke	4,800	321	-5
Land Securities	494	595	-5
Laporte	455	505	+4

Stock	Volume 000's	Closing Price	Day's change
Legal & General	314	355	-4
Lloyds Bank	1,800	384	-3
LASMO	1,300	507	-1
Lonrho	1,200	287	-1
Lucas	935	706	-4
MB Group	1,032	211	-1
MEPC	925	586	-4
Marks & Spencer	4,500	214	-3½
Maxwell Comm.	168	197	-1
Midland Bank	2,100	359	-3
Nat. West. Bank	1,700	333	-1
Next	2,300	139	-3
Northern Foods	32	347	-3
Pearl	286	508	+4
Pearson	602	803	+4
P & O	3,700	680	-9
Pilkington	3,200	253½	-2½
Plessey	3,500	267	
Polly Peck Intl.	2,600	305	-2
Prudential	2,050	204	+1
RHM	4,100	449	-6
RMC	690	772	+11
RTZ	1,300	562	+1
Racal	831	434	-4
Rank Org.	241	994	
Reckitt & Colman	62	1218	-10
Redland	597	583	+3
Reed International	1,500	462	+3
Reuters	556	938	-10
Rolls Royce	2,700	190	-½
Rothmans	700	627	+2
Royal Bk of Scotland	1,330	443	-4

Stock	Volume 000's	Closing Price	Day's change
Royal Insurance	2,300	440	+3
STC	866	367	-8
Saatchi & Saatchi	294	316	-1
Sainsbury	2,800	278	-5
Scott & Newcastle	4,100	404	+9
Sears	2,900	129	-2½
Shell Transport	2,300	434	-1½
Siebe	1,500	544	-7
Slough Ests.	640	362	-7
Smith & Nephew	4,050	138	+1½
SmithKline Beecham	5,250	580	-6
Smiths Industries	713	317	-4
Standard Chartered	649	531	-2
Storehouse	2,900	140	-1
Sun Alliance	893	383	-2
T&N	898	257	-4
TSB	4,300	109½	-1½
Tarmac	957	310	-1
Tate & Lyle	918	297	+3
Taylor Woodrow	654	301	-3
Tesco	2,400	209	-2½
THORN EMI	905	830	-5
Trafalgar House	4,500	400½	-1½
Trusthouse Forte	3,200	346	-1
Ultramar	1,800	325	
Unilever	625	632	-5
United Biscuits	2,100	393	-9
Utd. Newspapers	853	480	-2
Wellcome	2,290	510	+6
Whitbread 'A'	1,000	379	-4
Williams Hldgs.	1,400	280	
Wimpey	248	271	-2

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (140). BRITISH FUNDS (16) AMERICANS (4) CANADIANS (2) BANKS (4) BREWERS (4) BUILDINGS (7) CHEMICALS (8) STORES (5) ELECTRICALS (6) ENGINEERING (9) FOODS (8) HOTELS (1) INDUSTRIALS (10) Apollo Metals, BET, Bogod Pel. A, Bowater Inds., CBM Pack New, Highgate & Job, Macfarlane, Page (Michael), Parkfield, RKF Grp., INSURANCE (2) LEISURE (8) MOTORS (1) NEWSPAPERS (6) PAPERS (1) PROPERTY (2) TRANSPORT (2) TRUSTS (35) OILS (1) OVERSEAS TRADERS (1) MINES (9) THIRD MARKET (2).

NEW LOWS (30). BUILDINGS (3) STORES (1) ELECTRICALS (8) INDUSTRIALS (10) Alumasc, C'ban & Armstrong, Dolphin Pack., Halls Homes & Gardens, Oakwood, Pergamon '86, Rockwood, Savage, West Inds., Young (H). MOTORS (3) PAPERS (2) PROPERTY (2) TEXTILES (7) TRUSTS (1) OILS (1) MINES (1).

APPOINTMENTS

New chief for Magnet

Mr John Foulkes has been appointed chief operating officer of MAGNET, the kitchen furniture company recently the subject of a management buy-out, *writes Philip Coggan.*

Mr Foulkes was chief executive of Corah, the textiles group which was acquired by Charterhall, investment vehicle of Australian businessman Mr Russell Goward, at the end of last year.

Before Mr Foulkes worked at Corah, he was chief executive of Ross Young's, the Hanson foods subsidiary since sold to United Biscuits.

Magnet refused to comment on how Mr Foulkes' role would fit in with that of Mr Tom Duxbury, chairman and chief executive, who led the buy-out team.

■ Mr Andrew Baxter, son of the chairman, has been appointed to the board of W.A. BAXTER AND SONS. Mr Bill Brand, marketing director of Baxters of Speyside, also joins the main board as director of sales and marketing.

■ Mr L.G. Fisher has been appointed managing director of ROBINSON BROTHERS, West Bromwich, from August 24.

■ Mr Philip Craig has been appointed director of UK corporate finance at LONDON & CONTINENTAL BANKERS, international investment banking arm of the German DG Bank. He was a director of Minster Trust.

■ Mr John C. Condon has joined RIVER THAMES INSURANCE as director of underwriting.

■ Mr Harry Rogers has been appointed chairman of AITCH HOLDINGS, which he founded in 1975.

■ Mr W.N. Bowen has been appointed a non-executive director of LAMBERT BROTHERS (UNDERWRITING AGENCIES).

Mr Graham Henderson *(above)* has been appointed financial control manager of ROYAL LIFE HOLDINGS. He was financial controller, personal finance division, Lloyds Bowmaker.

■ SCHLEICHER of West Germany has appointed Mr Jack Costelloe as director of its UK subsidiary Schleicher & Co International, Crawley. He was general manager.

■ KEMIRA INCE, Chester, has appointed Dr John B. Davies as managing director from September 1. He joins from Texas Eastern North Sea Inc, where he is managing director - finance, based in London.

■ Dr Neil French will be joining APV as finance director replacing Mr Chris Beenham who has left the company. Dr French is group financial controller of Lex Service.

■ Mr J.G. Quinton, chairman of Barclays Bank, has been elected chairman for two years of the COMMITTEE OF LONDON & SCOTTISH BANKERS. He succeeds Lord Boardman.

■ Mr Ralph Apthorpe has been appointed publishing director of DISCOVERY PRESS. He was a director of Travel Weekly Publications.

■ Mr Don Cruickshank, previously managing director of Virgin Group and chairman of Wandsworth Health Authority, has been appointed chief executive of the NATIONAL HEALTH SERVICE in Scotland.

■ Mr Mike Beale has been appointed sales and marketing director, Mr Stephen Purchase as director of administration, and Mr Richard Middleton as group accountant and company secretary at GRESHAM GROUP.

ASSOCIATED-HENRIQUES, a specialist trade finance company, has appointed Mr Julian Spector *(above)* to the board. He is a director of subsidiary D.Q. Henriques, with responsibility for client relations and credit vetting.

■ Dr Martin Jones has been appointed managing director of KELVIN HUGHES, Hainault, Essex, marine equipment subsidiary of Smiths Industries. He was technical director.

■ Mr Philip Darcy has been appointed technical director, and Mr Joe Green construction director of CECIL M. YUILL, Hartlepool.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	53.54	54.18xd	57.64	-0.24	4.75
Gilts & Fixed Int	6	112.90	112.90	119.80	+0.5	8.35
High Inc Equity	6	140.5	143.3xd	152.5	+0.1	4.16
Worldwide Bond	6	200.60	200.6xd	212.5	-0.6	4.56
Capital Growth						
American Growth	6	190.5	190.5	203.0	-1.1	0.93
Asian Pacific	6	101.5	103.4	110.0	+0.9	1.18
Assets & Earnings	6	165.9	165.9	172.5	+0.1	2.08
Capital Reserve Acc	0	87.10	87.10	87.21	+0.00	4.59
Comdty & Energy	6	110.2	110.2	117.9	-3.5	1.61
1992 Enterprise	6	60.67	61.32xd	65.77	+0.12	2.74
European Capital	6	93.51	94.18	100.20	....	0.75
General	6	187.6	187.6xd	200.7	+0.6	2.34
International	6	49.77	50.60	53.84	-0.90	0.93
Japan	6	114.7	114.7	122.7	-1.0	0.00
Mastertrust	6	90.01	90.01	96.27	-1.0	1.77
UK Growth Acc	6	206.6	215.8	229.6	-0.2	1.22
UK Growth Dist	6	137.9	144.0	153.2	-0.1	1.83
US Emerging Cos	6	54.00	55.68	64.24	-0.15	0.00
Income & Growth	6	318.3	324.7	345.5	....	2.97
Ethical	6	50.21	51.42	54.71	+0.05	1.83
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	32.25	32.25	34.39	-0.40	3.13
European	5¼	68.55	68.68	73.31	-0.08	0.00
European Income	5¼	67.24	67.24xd	71.77	-0.11	2.79
Exempt	1	851.8	851.8xd	889.0	+1.20	1.93
Extra Income	5	46.71	46.71xd	49.86	-0.18	4.38
F East Emerg Ecos	5¼	49.39	49.42xd	52.93	-0.21	0.59
Fund Inv Tst	5	134.5	134.5	141.6	-0.40	2.11
Do Accum	5	209.5	209.5	223.7	-0.60	2.12

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd – Contd.						
Income	5	170.6	175.7	186.4	+0.3	4.49
(Accum Units)	5	332.7	342.5	363.4	+0.5	4.49
International	5	128.3	128.3	135.7	-0.1	2.52
(Accum Units)	5	174.9	174.9	185.0	-0.2	2.52
Smaller Co's	5	119.6	122.6	130.1	-0.1	1.50
(Accum Units)	5	131.5	134.8	143.0	+0.2	1.50
Inc Portfolio	2½	57.96	60.05	61.91	+0.21	8.11
(Accum Units)	2½	60.17	62.33	64.26	+0.23	8.11
High Income Port	3	50.96	51.38	53.24	+0.13	6.01
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sk Dnd Gilt & FI	1¼	53.87	53.87	54.65	+0.01	12.09
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	64.28	60.19	64.37	....	2.25
Global Tst	5½	44.11	46.67	49.91	....	2.01
Recovery Tst	5½	54.93	54.93	61.13	....	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01-234 6000						
Growth Fd Acc	5	116.7	118.1	124.6	+0.2	3.41
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America F	5	61.36	61.36	65.27	-0.74	0.56
CS International F	5	62.02	62.02	65.97	+0.21	1.50
CS Japan F	5	135.1	135.1	143.7	+0.1	0.32
CS Portfolio Inv & F	5	77.76	77.76	82.72	+0.39	1.55
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	151.9	154.5xd	162.6	+0.20	2.85
Do Gen Accum	5	256.5	261.0	274.7	+0.40	2.85
Do Income Dist	5	101.1	103.2	108.7	+0.30	5.10
Do Inc Accum	5	231.6	236.5	249.0	+0.60	5.18
Gilt & Fxd Int	5	57.16	37.21xd	39.17	+0.26	8.19
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5½	40.90	40.98xd	43.83	+0.25	2.31
Income	5½	51.01	51.01xd	54.56	-0.34	3.76
Far East	5½	38.50	38.97	41.68	-0.03	0.95

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 01-749 9111						
Worldwide Inc	5	103.00	103.00	109.90	....	0.29
Worldwide Acc	5	107.30	107.30	114.50	....	0.29
UK Equity Inc	5	80.99	80.99	86.81	+0.15	2.87
UK Equity Acc	5	89.32	89.32	95.74	+0.16	2.87
European Inc	5	121.20	121.20	129.70	+0.2	0.56
European Acc	5	125.60	125.60	134.40	+0.3	0.56
Nth American Inc	5	67.18	67.18xd	72.41	-0.4	1.38
Nth American Acc	5	69.92	69.92xd	74.35	-0.42	1.38
Japan Inc	5	124.00	124.00	132.60	-0.3	0.00
Japan Acc	5	124.30	124.30	132.80	-0.4	0.00
UK High Inc Eq Inc	5	75.35	75.35xd	81.29	+0.06	5.55
UK High Inc Eq Acc	5	85.76	88.78xd	92.51	+0.06	5.55
Hong Kong Inc	5	42.27	42.27xd	45.00	-0.62	2.98
Hong Kong Acc	5	44.16	44.16xd	47.11	-0.64	2.98
Swiss Equities Inc	5	39.61	39.61	42.32	-0.15	1.12
Swiss Equities Acc	5	39.95	39.95	42.89	-0.15	1.12
W'wide Bond Inc	5	53.05	53.05	56.01	-0.16	5.27
W'wide Bond Acc	5	54.75	54.75	57.85	-0.16	5.77
Emerging Asia Inc	5	84.65	84.65	90.72	+0.37	0.00
Emerging Asia Acc	5	84.65	84.65	90.72	+0.37	0.00
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	124.7	126.8	134.8	-0.1	2.56
PM Income & Gth	5	106.9	108.8	115.7	-0.1	4.53
PM Nth Amer Gth	5	58.61	58.61	62.35	-0.93	1.21
PM European Gth	5	60.70	60.87	64.75	-0.06	0.08
PM Japan Gth	5	82.44	82.57	87.83	-0.99	0.28
PM Overseas Gth	5	56.25	56.25	59.81	-0.59	0.44

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Combl & Equity	5	66.14	67.23	71.52	-0.03	5.65
European	5	73.77	73.98	78.70	+0.24	0.09
Far Eastern	5	64.57	64.70	68.83	-0.17	0.63
Growth Inc	5	91.28	95.75	101.85	+0.46	1.37
Growth Acc	5	91.28	95.75	101.85	+0.46	1.37
Income Inc	5	85.73	86.98	92.52	-0.09	4.60
Income Acc	5	84.83	87.08	92.63	-0.08	4.60
Property Share	5	56.33	56.33	60.04	+0.02	0.99
Smaller Co's	5	60.10	61.05	65.18	+0.11	1.47
Nth American	5	65.37	65.37	69.71	+0.16	1.57
International	5	49.86	49.86	53.32	-0.26	1.39
Wright Seligman Fund Mngrs Ltd (1000)H						
12 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	114.43	114.43	119.49	.....	0.93
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5½	66.19	68.58	72.96	-0.04	2.48
YUTM Hi Eq Inc Tst	5½	63.32	65.57	69.76	+0	4.28
YUTM Inv Gwth Tst	5½	53.65	53.65	57.27	+0.01	0.77

OTHER UK UNIT TRUSTS

		Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd					
Int'l Expl June 7		485.3	505.8	.....	—
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Inv Fund July 31		508.95		.....	4.55
Fxd Int Sec July 31		142.05		.....	10.07
Deposit July 31		100.00		.....	13.25
Charinco/Charishare (1000)F					
33 King William Street, EC4R 9AS					01-280 2800
C'inco Inc Aug 9		169.0	173.2	+1.10	10.26
C'inco Acc Aug 9		693.4	711.0	+4.70	10.26
C'share Inc Aug 9		162.7	169.0	+3.70	3.99

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	127.7	134.3	-0.8	—
UK Metro	124.6	131.1	-0.2	—
N Am Pn Fd Acc(z)	262.7	276.4	-3.1	—
Pac Basin Fd Acc(z)	183.2	192.8	-2.0	—
Prinvest(z)	587.6	618.4	+0.8	—
Multi Inv Pens Acc(z)	1535.7	1616.5	-3.3	—
Broker Funds				
Prof. Pen. Fd.	102.0	107.4	-0.3	—
YRA Strategy	123.8	130.3	-0.3	—
YRA Performance	106.3	111.8	-0.4	—
Loughton Dollar (SE)	142.6	150.0	+0.2	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc.	264.0	277.9		—
Equity Acc.	910.6	958.6	+4.0	—
Property Acc.	507.9	534.7	+0.1	—
Far East Acc.	214.8	226.8	+1.1	—
European Acc.	24.4	25.7	+0.2	—
Managed Acc.	711.8	749.3	+2.5	—
Managed Cap.	402.9	424.2	+1.4	—
O'seas Earnings Acc.	608.1	640.2	+2.4	—
Gilt Edged Acc.	321.3	338.3	+0.9	—
American Equity Acc.	480.8	506.2	-1.7	—
American Man. Acc.	221.7	233.4	-0.8	—
American Prop Acc.	146.4	154.2	-0.2	—
Pen F I Dep Cap.	291.3	306.7		—
Pen F I Dep Acc.	501.9	528.4	+0.2	—
Pen. Prop. Cap.	595.2	626.6		—
Pen. Prop. Acc.	1132.9	1192.6	+0.1	—
Pen. Man. Cap.	872.1	918.0	-0.4	—
Pen. Man. Acc.	1658.1	1745.4	-0.7	—
Pen. Gilt Edg. Cap.	320.8	337.7	+0.3	—
Pen. Gilt Edg. Acc.	498.9	525.2	+0.5	—
Pen. Eq. Cap.	1449.3	1521.4	-0.9	—
Pen. Eq. Acc.	2082.8	2192.5	-1.1	—
Pen. Am. Eq Cap.	159.8	168.3	-1.1	—
Pen. Am. Eq Acc.	194.0	204.3	-1.3	—
Pen. Far East Cap.	254.9	268.4	-1.2	—
Pen. Far East Acc.	309.7	326.0	-1.4	—
Pen. Euro Cap.	28.8	30.4	+0.1	—

City of Edinburgh Life Assurance	
46 Charlotte Sq, Edinburgh	
Managed Inv Tst Fd	[illegible]
Risk & Reward Bond	[illegible]
Guaranteed Cash Fd	[illegible]
Global Growth Fd	[illegible]
Special Sits Fd	[illegible]
UK Blue Chip Fd	[illegible]
Far Eastern	[illegible]
Ivory & Sime Pens Fd	[illegible]
Risk & Reward Pens Fd	[illegible]
Martin J'stone Pens Fd	[illegible]
Inv Strategy Pens Fd	[illegible]
Predator Pens Fd	[illegible]
City of Westminster Assurance (z)	
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU	
Current Series	
Property Fund	[illegible]
Secure Gwth Fund	[illegible]
Managed Fund	[illegible]
Equity Fund	[illegible]
Fixed Interest Fund	[illegible]
Far East Fund	[illegible]
North American Fund	[illegible]
Natural Resources Fund	[illegible]
Pension Managed Fund	[illegible]
Pension Equity Fund	[illegible]
Pensions Fixed Int	[illegible]
Pensions European	[illegible]
Pensions Intl	[illegible]
Pens Adventurous Mgd	[illegible]
Pension Balanced Mgd	[illegible]
Pens Conservative Mgd	[illegible]
Adventurous Mngd Fd	[illegible]
Balanced Mngd Fd	[illegible]
Conservative Mngd Fd	[illegible]
European Fund	[illegible]
International Fund	[illegible]
For other prices please ...	

INSURANCES

[illegible]

Continued on next page

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Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	136 0	137.0	–2.0	–
Building Soc. Fd.	172 0	182 0	....	–
Balanced	292 0	308 0	–1.0	–
European	185 0	195 0	–1.0	–
GT Managed	184 0	194.0	–1.8	–
Gartmore Mngd.	122 0	129 0	–1.0	–
German	134.0	142 0	+2.0	–
Gilt	188.0	198 0	+1.0	–
Global	49 0	52.0	....	–
High Inc.	127 0	134 0	....	–
International Equity	202 0	213 0	–1.0	–
Japan	255 0	269 0	....	–
Managed	64 0	68.0	....	–
Property	286 0	302.0	....	–
R. W. Imperial Gold	149 0	157 0	....	–
UK Equity	371.0	391 0	–1.0	–
Pension Funds				
American	153 0	162 0	....	–
Building Soc. Fd.	173 0	183 0	....	–
Balanced	225 0	237.0	....	–
European	185.0	195 0	....	–
German	115 0	122 0	....	–
Gilt	160 0	169 0	....	–
International Equity	147 0	155 0	....	–
Japan	143 0	151.0	....	–
Managed	67 0	71 0	....	–
Property	220 0	232.0	....	–
UK Equity	338 0	356 0	–1.0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or –	Yield Gross
Pensions Managed Fund	95.58	101 65	+0 45	–
Pensions Cash Fund	78.74	82.88	–0 03	–

Prolific Life & Pensions Ltd
Stramongate, Kendall Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd.	620 2	653 6	–0 8	–
Adventurous Mngd.	134.5	141 6	(z)	–
Secure Mngd	115 2	119 3	+0.5	–
Cash Fd.	235 0	248.5	....	–
Property Fund	290 4	309 0	....	–
[illegible]				

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	597.4	628.9	+0.8	–
Equity	875.3	921.4	+2.7	–
Global Equity	256 2	269.7	–0.3	–
Fixed Interest	417.9	439.9	+2.2	–
Property	400 0	421.1	....	–
Cash	159.6	168.0	....	–
Index Linked Gilt	205 2	216.0	+0 8	–
Guaranteed	12.50	–	....	–
International Money	204 1	214.9	+0 2	–
North American	81.5	85.8	–0.2	–
Japanese	140.3	156.2	–0.3	–
European	103 0	108.5	+0.1	–
Special Situations	127.3	134 0	+0.6	–
Communications	110.2	136 0	–0 5	–
Smaller Companies	115 7	121.0	+0 9	–
International Small Cos.	139.0	147.2	–0.3	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Discretionary Aug 9	£165.39	171.19	+3.12	–
Equity Aug 9	£183 19	190.19	+4.20	–
International Aug 9	£27 86	28 75	+0.66	–
Intl Bond Aug 9	£12 56	12.73	....	–
Fixed Int Aug 9	£74 24	75.23	+0.19	–
Index Linked Aug 9	£63 29	64.07	+0.23	–
Property Aug 9	£112.87	119.69	+0.19	–
Cash Aug 9	£21.3018	21.3018	+0.0542	–
Pru-Linked Retirement Plan				
Managed Aug 8	405 0	421.9	....	–
Cash Aug 8	200 0	208 4	....	–
Prudential Pensions Investment Account				
Pens Mngd Aug 10	162.3	174 5	–0 2	–
Pens UK Eq Aug 10	321 8	347.5	–0.4	–
Pens Intl Aug 10	190 6	205.3	–1.0	–
Pens Fixed Aug 10	171.2	180.8	–0.2	–
Pens Index Lk Aug 10	162.4	171.4	+0.5	–
Pens Cash Aug 10	130 6	137 6	....	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or –	Yield Gross
Aggressive Ptflio Fd	123.5	129.9	....	–
Balanced Ptflio Fd	323.8	340.8	+0.1	–
Cautious Ptflio Fd	124.0	130.5	+0.1	–
Elite Fund	117.9	124.1	....	–
European Fund	91 4	96.2	–0.1	–

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	98	Exch 11pc 1989	99	.....	11.05	13.43
98	95	Treas 5pc 1986-89	98	.....	5.05	10.00
99½	98	Exch 10¼ pcCv '89	99		10.34	13.21
101	99½	Treas 13pc 1990‡‡	100		12.98	12.30
131	124	Treas 2pc IL '90(84.6)	131		2.09	9.98
99	98	Exch 11pc 1990‡‡	99		11.08	12.36
101	99	Exch. 12½ pc 1990	99		12.52	12.66
95	91	Treas. 3pc 1990	95		3.14	9.38
97	95¼	Treas 8¼ pc 1987-90‡‡	97		8.47	11.49
98	95¼	Treas. 8pc Cv 1990 ‡‡	97		8.19	10.63
98	96	Treas. 10pcCv 1990	98		10.21	11.81
93	87	Exch 2½ pc 1990	93		2.67	7.86
101	98	Treas 11¾ pc 1991	100		11.73	11.57
93	89	Funding 5¾ pc '87-91‡‡	93	.....	6.17	10.38
90	86	Treas. 3pc 1991	90¼		3.32	9.14
100	95	Treas 10pc Cv '91 ‡‡	97	.....	10.21	11.23
101	97	Exch. 11pc 1991	99		11.03	11.14
94	91	Treas 8pc 1991	93		8.53	11.08
106	102	Treas 12¾ pc 1992‡‡	104		12.23	10.70
99½	95	Treas 10pc 1992	98		10.18	10.80
94	91	Treas. 8pc 1992 ‡‡	93		8.55	10.80
100¼	96	Treas 10½ pc Cv 1992‡‡	99		10.56	10.73
85	82¼	Treas. 3pc 1992	85		3.52	9.00
105	101¼	Exch. 12¼ pc '92	103		11.79	10.71
109	104	Exch 13½ pc 1992	107		12.57	10.62
94	90	Treas 8¼ pc 1993	93		9.82	10.48
100	95	Treas 10pc 1993‡‡	98		10.11	10.35
108	103	Treas 12½ pc 1993‡‡	106		11.74	10.42
87¼	84	Funding 6pc 1993‡‡	87½		6.87	9.82
113	108	Treas 13¾ pc 1993‡‡	111		12.33	10.33
94½	89	Treas. 8½ pc 1994	93½		9.09	10.34
117	112	Treas 14½ pc 1994‡‡	115		12.58	10.22
113	107	Exch 13½ pc 1994	111		12.11	10.35
100	95	Treas. 10pc Ln. 1994‡‡	99¼		10.08	10.19
		Five to Fifteen Years				
110¼	104	Exch. 12½ pc 1994	108¼		[illegible]	10.36
96	91	Treas 9pc 1994‡‡	95		[illegible]	10.19
108	102	Treas 12pc 1995	106		[illegible]	10.32
79	74½	Exch 3pc Gas 90-95	77	.....	[illegible]	8.07
101	95¼	Exch. 10¼ pc 1995	100		[illegible]	10.22
113	107¼	Treas 12¾ pc 1995‡‡	111		[illegible]	10.13
119	112	Treas. 14pc '96	117		[illegible]	10.30
97½	91	Treas. 9pc 1992-96‡‡	95		[illegible]	9.93
126	119	Treas 15¼ pc 1996‡‡	125		[illegible]	10.19
117	110	Exch 13¼ pc 1996‡‡	114		[illegible]	10.16
101	94	Conversion 10pc 1996	99		[illegible]	10.06
118	110	Treas 13¼ pc 1997‡‡	115		[illegible]	10.13
104	97¼	Exch 10½ pc 1997	102		[illegible]	10.06
95	88¼	Treas 8¾ pc 1997‡‡	93		[illegible]	9.88
128	120	Exch 15pc 1997	125		11.93	10.27
100	93	Exch. 9¾ pc 1998	98		9.87	9.95
84	78	Treas 6¾ pc 1995-98‡‡	83		8.09	9.58
134	125	Treas. 15½ pc '98‡‡	131		11.80	10.14
113	105¼	Exch. 12pc 1998	111		10.78	10.08
100	93	Treas 9½ pc 1999‡‡	98		9.63	9.70
115	107	Exch. 12¼ pc 1999	113		10.82	10.06
105	97	Treas. 10½ pc 1999	103		10.16	9.95
104	96	Conversion 10¼ pc 1999	101		10.05	9.93
94	86	Treas. 8½ pc Ln 2000‡‡	92¼		9.21	9.68
97	90	Conversion 9pc 2000‡‡	95		9.44	9.70
122	113	Treas. 13pc 2000	119		10.92	10.08
103	95	Treas 10pc 2001	101		[illegible]	9.81
124	115	Treas. 14pc '98-01	121		[illegible]	10.24
102	94	Conversion 9¾ pc 2001	99		[illegible]	9.76
113	105	Exch. 12pc '99-02	111		[illegible]	10.11
104	96	Conversion 10pc 2002	102		[illegible]	9.70
102	94	Treas 9¾ pc 2002	100		[illegible]	9.67
97	89	Exch. 9pc 2002	95		[illegible]	9.61
126	117	Treas. 13¾ pc 2000-03	123		[illegible]	10.14
105	97	Treas 10pc 2003	103		[illegible]	9.55
113	104	Treas. 11½ pc 2001-04	110		[illegible]	9.94
106	97	Treas. 10pc 2004	103		[illegible]	9.50
59	55	Funding 3½ pc '99-04	58		[illegible]	8.47

Over Fifteen Years

BRITISH FUNDS—Contd

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible] Conversion factor 3.945. RPI for [illegible] June 1989: 115.4.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Building Societies				
99	98	N'wide Anglia 11 pc 29.8.89	99	.....	11.58	13.81
99	99	Do. 12¾ pc 18.9.89	99	.....	12.41	13.75
99	99	Do 12 pc 2.10.89	99	.....	12.36	13.86
99	98	Do. 11 pc 6.11.89	99	.....	11.89	13.89
100	98	Do. 12 pc 4.12.89	99	.....	12.39	13.97
100	99	Do. 12 pc 2.1.90	99	.....	12.88	13.56
100	98	Do. 12 pc 29.1.90	99	.....	12.64	13.76
100	98¼	Do 12 pc 26.2.90	99	.....	12.76	13.75
100	98	Do. 12 pc 19.3.90	99	.....	12.95	13.75
100	99	Do. 13 pc 23.4.90	99	.....	13.42	13.72
100	99	Do. 13pc 14.5.90	99	.....	13.08	13.71
100	98	Do. 13 pc 4/6/90	99	.....	13.70	13.67
100	100	Do. 14 pc 2.7.90	100	.....	14.24	13.59
[illegible]	98½	Do. 3 pcIL Ln 2021	104	.....	4.29	4.40
		Public Board and Ind.				
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	....	3.50	18.75
45	40	Do 6pc 28 Stb Ass	40	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	135	+½	15.00	10.70
128	118	Iceland 14½ pc Ln 2016	126	+1	14.50	11.32
97	91½	Ireland 9¾ pc '91-96	93	.....	9.75	11.20

AMERICANS

[illegible]

Continued on next page

Henderson Management SA

	Bid Price	Offer Price	+ or -	Yield Gross
Henderson Horizon Fund				
Japanese Portfolio	$14.24	13.05	+0.09	-
Japan Smllr Cos P'folio	$10.72	19.70	+0.09	-
Pacific Portfolio	$10.96	11.58	-0.07	-
Nth American P'folio	$5.02	5.31	-0.01	-
European Portfolio	$7.32	7.74	+0.07	-
UK Portfolio	$6.73	7.16	+0.06	-
Global Portfolio	$9.51	10.05		-
Fixed Int Portfolio	£9.70	10.27	+0.03	-

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
36⅞	24¼	Gen. Elect. 63c	35⅞	–⅛	$1.64	–	2.9
568p	460p	♦General Host Corp $1	490p	+5	30c	–	3.9
39⅛	18¼	Gillette $1	27¾	+¾	96c	–	2.2
987p	601p	Gt Am First Svgs Bk $1	884p	+45	60c	–	4.7
23½	16¾	Greyhound $1½	21⅝	.....	$1.32	–	3.9
14¼	847p	Hasbro Inc 50c	21⅞	.....	16c	–	0.8
55⅞	32¾	Honeywell $1½	55⅞	+⅞	$2.10	–	2.4
21⅛	15¼	Houston Inds.	20⅞	–⅛	$2.96	–	9.0
74⅝	63¾	IBM Corpn $1¼	71⅞	–1⅛	$4.84	–	4.3
60p	45p	♦Image Storage/R.Sys.1c	55p	–3	–	–	–
29⅝	18¾	Ingersoll-Rand $2	29½	–⅛	$1.20	–	2.6
33	22½	Lockheed Crpn $1	30⅝	.....	$1.80	–	3.7
22⅝	15⅞	Lone Star Inds $1	21¼	–¼	$1.90	–	3.7
25	17½	Louisiana Land 15c	25	+⅛	$1.00	–	2.5
17½	11½	Lowe's 50c	16¾	.....	48c	–	1.8
26⅛	15⅞	Manuf. Hanover $1	24⅞	–⅞	$3.28	–	8.3
22⅞	13⅞	Merrill Lynch $1	21⅜	–⅛	$1.00	–	2.9
2291p	1910p	Molex Inc	2293p	+57	3.2c	–	–
27⅞	18⅛	Morgan (JP) $2½	25¼	–⅛	$1.66	–	4.2
54½	36⅛	NYNEX $1	48¾	–⅛	$4.36	–	5.7
24⅝	18¼	PHH Corp.	23¼	–⅛	$1.12	–	3.0
259p	180p	♦Pacific Agr.	185p	+3	–	–	–
27⅛	14	Pacificorp $3¼	25	–½	$2.76	–	6.7
27⅝	16⅞	Pacific Telesis 10c	26½	–⅝	$1.88	–	4.5
22⅛	15¼	Pall Corp. 25c	20	–⅛	48c	–	1.5
55⅝	39⅞	Pennzoil 83 1/3c	49½	–⅛	$3.00	–	3.8
42¼	28⅝	Quaker Oats $5	39⅞	.....	$1.20	–	1.9
32⅛	23½	Rep NY Corpn $5	30⅞	–⅛	$1.28	–	2.6
21⅛	11⅞	Rockwell Intl. $1	15¼	–⅛	78c	–	3.6
35½	21⅝	Southwestern Bell $1	34½	–⅛	$2.60	–	4.8
27⅞	17⅛	Sun Co. Inc. $1	22⅞	–⅞	$1.80	–	5.0
30½	22⅞	TRW Inc 62½c	29⅝	–⅛	$1.72	–	3.6
21¼	14⅝	TW Services $5	22	+¼	10c	–	0.3
38⅞	26⅛	Tenneco $5	37⅝	–⅜	$3.04	–	5.1
35⅞	28	Texaco $6.25	32⅞	–⅜	$3.00	–	3.9

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]									
211½	11	Scon Pickford 10p	v	16	.....	d0.38	3.8	3.1	10.8
160	95	Seacon Hldgs	v	149	.....	2.5	6.1	2.2	9.3
*17½	5½	Stats Hldgs. 5p	v	7½	.....	–	–	–	13.0
*3¾	1¾	Swanyard Studios 1p	v	2¼	.....	–	–	–	♦
11	7	Systems Connection 2½p	v	8	.....	–	–	–	10.5
43	37	Tavern Leis. 20p	v	43	.....	–	–	–	–
115	28	Tomorrows Leisure 20p	v	103	.....	–	–	–	51.3
19	11	Tullow Oil 10p	v	15	–½	–	–	–	–
113	85	UPL Group 10p	v	85	.....	2.75	♦	4.3	♦
150	135	Unit Group	v	147	.....	5.0	♦	4.5	♦
14	5	Vista Ents 5p	v	6½	–½	–	–	–	–
40	35	Vizcaya Hldgs 5p	v	35	.....	–	–	–	–
40	23	Whitegate Leisure 20p	v	40	+1½	–	–	–	–
28	10	Do. Wrrnts	v	28	+1	–	–	–	–
10¼	5	Wilton Group 1p	v	8	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¤ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- T Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	v	96	.....
Craig & Rose £1	v	850	.....
Finlay Pkg. 5p	v	86	.....
Holt (Jos) 25p	v	1343	.....

IRISH

Cap 8¾% Ln 1991	v	£98½	–¼
9pc Cap Ln 1996	v	£101¼	–⅛
Fin. 13% 97/02	v	£122¼	.....
Arnotts	v	415	.....
Carrol (P.J.)	v	155	.....
Hall (R. & H.)	v	170	+2
Helton Hldgs	v	07	+2
Irish Ropes	v	215	.....
United Drug	v	155	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

		p
Allied-Lyons	v	38
Amstrad	v	11
BAT	v	80
BOC Grp	v	42
BSR	v	6½
BTR	v	32
Barclays	v	42
Blue Circle	v	24
Boots	v	25
Bowaters	v	44
Brit Aerospace	v	52
British Steel	v	7½
Brit Telecom	v	21
Burton Ord	v	18
Cadburys	v	46
Charter Cons	v	48
Comm Union	v	32
Courtaulds	v	30
FKI Babcock	v	14
FNFC	v	22
Gen Accident	v	85
GEC	v	20
Glaxo	v	110
Grand Met	v	45
GUS 'A'	v	90
Guardian	v	10
GKN	v	34
Hanson	v	16
Hawker Sidd	v	60
ICI	v	100
Jaguar	v	28
Ladbroke	v	23
Legal & Gen	v	26
Lex Service	v	35
Lloyds Bank	v	29
Lucas Inds	v	58
Marks & Spencer	v	15
Midland Bk	v	30
Morgan Grenfell	v	24
Nat West Bk	v	13
P & O Dfd	v	55
Plessey	v	22
Polly Peck	v	26
Racal Elect	v	44
RHM	v	42
Rank Org Ord	v	80
Reed Intnl	v	34
STC	v	52
Sears	v	10
Smithkline Bchm. A	v	50
TI	v	50
TSB	v	18
Tesco	v	14
Thorn EMI	v	58
Trust Houses	v	24
T&N	v	18
Unilever	v	46
Vickers	v	18
Wellcome	v	42

Property

Brit Land	v	32
Land Securities	v	52
MEPC	v	58
Randsworth	v	28

Oils

Brit Petroleum	v	21
Burmah Oil	v	50
Calor	v	35
Charterhall	v	2½
Premier	v	9
Shell	v	12
Ultramar	v	26

Mines

Cons Gold	v	158
Lonrho	v	30
RTZ	v	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Nervous dollar aids pound

THE DOLLAR lost ground on the foreign exchanges, but managed to finish above DM1.89 and Y139.00 in London after a nervous day. Sentiment was dominated by disappointing results to the first two legs of the US Treasury's quarterly refunding programme and by a gloomy outlook for the US economy, according to the latest evidence published by the Federal Reserve.

At one time the dollar threatened to test DM1.8800 and Y138.50, but stabilised at lows of DM1.8830 and Y138.65. Institutional demand for the dollar has not been particularly strong in Tokyo this week, encouraging speculation that overall Japanese demand at the US auctions would not be strong.

Fears about the outcome of last night's 30-year bond auction increased after a disappointing result to Wednesday's 10-year note offering. It was estimated that Japanese investors took only about 15 to 20 per cent of the 10-year ootes sold, compared with 25 oer cent at the May auction.

The attitude in Tokyo was that there is no shortage of US Government paper at preseot and there will be ample opportunity to purchase as much as required oo the secondary market.

Another factor tending to push the dollar lower was the view that the Federal Reserve's "Tan Book", published on Wednesday, underlined the fact that the central bank is more concerned about a recession than inflation and that this could result in a further reduction of US interest rates.

Lower interest rates were also suggested by Mr Nicholas Brady, US Treasury Secretary, when he spoke on US television about legislation to support the savings and loan industry and face the problem of third world debt.

Figures on US producer prices and retail sales will be published today, but unless these are well outside market expectations the impact is likely to be limited and the market's attention will turn towards the June US trade figures next Thursday.

July producer prices are expected to rise 0.1 per cent, after falling a similar amount in June, while July retail sales are forecast to rise 0.5 per cent, compared with a fall of 0.4 per cent in June.

At the close in London the dollar had fallen to DM1.8915 from DM1.9005; to SFr1.6305 from SFr1.6355; and to FFr6.3950 from FFr6.4225, but was only slightly lower against the yen at Y139.10 compared with Y139.20. On Bank of England figures the dollar's exchange rate index fell to 69.6 from 69.8.

Sterling benefitted from the nervousness surrounding the dollar and from the pound's position as a high yielding currency. It rose 1 cent to $1.6270 and climbed to DM3.0775 from DM3.0725. The pound also advanced to Y226.25 from Y225.00; to SFr2.6525 from SFr2.6450; and to FFr10.4050 from FFr10.3850. Sterling's exchange rate index rose 0.3 to 92.2.

POUND SPOT- FORWARD AGAINST THE POUND

Aug 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6225 - 1.6345	1.6265 - 1.6275	0.67-0.64cpm	4.83	1.93-1.89pm	4.70
Canada	1.9055 - 1.9180	1.9055 - 1.9065	0.25-0.18cpm	1.35	0.66-0.52pm	1.24
Netherlands	3.46 - 3.47½	3.46¼ - 3.47¼	2-1¼cpm	6.49	5½-5¼pm	6.27
Belgium	64.20 - 64.55	64.30 - 64.40	30-20cpm	4.66	85-81pm	5.13
Denmark	11.93¾ - 11.98½	11.93¾ - 11.94¾	4¾-4¾orepm	4.58	13¼-12¼pm	4.27
Ireland	1.1495 - 1.1560	1.1530 - 1.1540	0.40-0.35pm	3.90	1.15-1.05pm	3.81
W Germany	3.07 - 3.08½	3.07½ - 3.08	1½-1⅝pfpm	6.82	5¼-4⅞pm	6.50
Portugal	256.10 - 258.45	256.60 - 257.60	7-20cdis	-0.63	65-134dis	-1.55
Spain	192.55 - 193.25	192.60 - 192.90	3-16cdis	-0.59	26-41dis	-0.70
Italy	2213 - 2219	2214½ - 2215½	4-2lirepm	1.63	8-6pm	1.26
Norway	11.26½ - 11.30¾	11.26½ - 11.27½	3-2½orepm	2.93	6¾-6¼pm	2.35
France	10.39¾ - 10.43½	10.40 - 10.41	4¼-4cpm	4.76	11¾-11½pm	4.49
Sweden	10.47¾ - 10.51¼	10.47¾ - 10.48¾	1¾-1½orepm	1.93	4¾-4⅝pm	1.81
Japan	225¼ - 227¼	225¾ - 226¾	1⅝-1½ypm	8.29	5¼-4½pm	9.06
Austria	21.58 - 21.72	21.65 - 21.68	13-11gropm	6.65	35-31pm	6.09
Switzerland	2.64½ - 2.66	2.64¾ - 2.65¾	1⅝-1¼cpm	6.79	4½-4¼pm	6.60
ECU	1.4830 - 1.4885	1.4865 - 1.4875	0.58-0.55cpm	4.56	1.58-1.53pm	4.18

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.45-64.55 Six-month forward dollar 3.75-3.70cpm 12 months 6.60-6.50cpm

£ IN NEW YORK

Aug. 10	Latest	Previous Close
£ Spot	1.6305 - 1.6315	1.6212 - 1.6222
1 month	0.66 - 0.65pm	0.67 - 0.65pm
3 months	1.95 - 1.92pm	2.01 - 1.98pm
12 months	7.40 - 7.30pm	6.77 - 6.67pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 10	Previous
8.30 am	92.2	92.1
9.00 am	92.2	92.0
10.00 am	92.2	92.1
11.00 am	92.3	92.0
Noon	93.3	92.0
1.00 pm	93.3	92.0
2.00 pm	93.3	92.0
3.00 pm	92.3	92.0
4.00 pm	92.2	91.9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug. 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4222	+2.27	+1.04	±1.5424
Danish Krone	7.85212	8.06118	+2.66	+1.43	±1.6419
German D-Mark	2.05853	2.07498	+0.80	-0.43	±1.1019
French Franc	6.90403	7.01984	+1.68	+0.45	±1.3719
Dutch Guilder	2.31943	2.33958	+0.87	-0.36	±1.5019
Irish Punt	0.768411	0.777748	+1.22	-0.01	±1.6689
Italian Lira	1483.58	1493.08	+0.64	+0.01	±4.0815
Spanish Peseta	130.000	129.989	-0.01	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY RATES

Aug. 10	Bank rate %	Special* Drawing Rights	European 1 Currency Unit
Sterling #	-	1.27220	1.48336
U.S. Dollar	7	1.27354	1.10020
Canadian $	12.36	1.49182	1.29219
Austrian Sch.	5	17.0043	14.6052
Belgian Franc	7.75	50.5723	43.4222
Danish Krone	9½	9.38281	8.06118
Deutsche Mark	5.00	2.41591	2.07498
Neth Guilder	6.00	2.72347	2.33958
French Franc	9½	8.16976	7.01984
Italian Lira	13½	1737.62	1493.08
Japanese Yen	3¼	176.513	152.873
Norway Krone	8	8.84546	7.60900
Spanish Peseta	-	151.401	129.989
[illegible]	[illegible]	[illegible]	[illegible]

\# Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Aug. 9

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Aug. 9.

OTHER CURRENCIES

Aug. 10	£	$
Iran	119.40*	71.50*
Korea(Sth)	1081.95 - 1090.70	665.40 - 670.80
Kuwait	0.48050 - 0.48220	0.29590 - 0.29690
Luxembourg	64.30 - 64.40	39.50 - 39.60
Malaysia	4.3435 - 4.3550	2.6645 - 2.6665
Mexico	4132.40 - 4141.45	2536.00 - 2540.00
N Zealand	2.7310 - 2.7370	1.6735 - 1.6765
Saudi Ar.	6.0895 - 6.0930	3.7500 - 3.7510
Singapore	3.1790 - 3.1845	1.9485 - 1.9505
S. Al (Cm)	4.3510 - 4.3620	2.6685 - 2.6715
S. Al (Fn)	6.6680 - 6.8075	4.0900 - 4.1755
Taiwan	41.70 - 41.80	25.60 - 25.65
U.A.E.	5.9630 - 5.9665	3.6720 - 3.6730

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6225 - 1.6345	1.6265 - 1.6275	0.67-0.64cpm	4.83	1.93-1.89pm	4.70
Ireland†	1.4085 - 1.4160	1.4100 - 1.4110	0.12-0.07cpm	0.81	0.47-0.37pm	0.91
Canada	1.1705 - 1.1745	1.1730 - 1.1730	0.33-0.35cdis	-3.48	1.00-1.05dis	-3.49
Netherlands	2.1255 - 2.1350	2.1310 - 2.1320	0.30-0.28cpm	1.63	0.85-0.81pm	1.56
Belgium	39.40 - 39.65	39.50 - 39.60	2.50-1.00cpm	0.53	5.50-3.00pm	0.43
Denmark	7.31¼ - 7.35½	7.33¾ - 7.34¼	0.10-0.30oredis	-0.33	0.60-1.10dis	-0.46
W. Germany	1.8830 - 1.8950	1.8910 - 1.8920	0.33-0.30pfpm	2.00	0.85-0.82pm	1.77
Portugal	157.90 - 158.00	157.50 - 158.00	60-75cdis	-5.12	230-270dis	-6.32
Spain	118.00 - 118.60	118.35 - 118.45	50-60cdis	-5.58	158-168dis	-5.51
Italy	1355 - 1363	1361¼ - 1361¾	3.30-3.80liredis	-3.14	11.50-12.20dis	-3.49
Norway	6.90½ - 6.94	6.92½ - 6.93	1.00-1.35oredis	-2.04	4.05-4.45dis	-2.46
France	6.37 - 6.40½	6.39¾ - 6.39¾	0.07-0.12cdis	-0.18	0.30-0.45dis	-0.23
Sweden	6.42¾ - 6.45½	6.44 - 6.44½	1.50-1.65oredis	-2.94	4.75-5.10dis	-3.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 8½-8⅝ per cent; three years 8⅝-8¾ per cent; four years 8½-8⅝ per cent; five years 8⅝-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.325	0.529	1	73.52	3.382	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.419	7.190	13.60	1000.	46.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.961	1.563	2.957	217.4	10.	2.5	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.377	0.613	1.160	85.30	3.924	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.288	0.469	0.888	65.25	3.002	0.7	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.451	0.735	1.390	102.2	4.700	1.1	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.525	0.854	1.615	118.7	5.462	1.3	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.554	2.528	4.783	351.7	16.18	4.1	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts below best

LONG-TERM gilt futures were slightly firmer on the Liffe market, in active trading of over 20,000 lots yesterday. The Bank of England's Quarterly Bulletin was published after the market closed, but the firmer tone was largely based on speculation that it would emphasise the need to fight inflation and advocate keeping interest rates high to support sterling. In general this proved correct.

Market volume remained concentrated in September delivery. Although the long gilt contract was firmer, it finished at the day's low of 97-03 compared with 96-31 on Wednesday. September gilts opened at 97-08 and touched a high of 97-18.

As far as short sterling is concerned, most activity has now moved to December delivery, reflecting a general view in the City that a cut in UK bank base rates is by no means certain by the end of the year, and is certainly most unlikely by the time of delivery of the near-dated contract in mid-September.

Trading volume in the December month was over double the level for September, at nearly 11,000 lots. December short sterling finished near the day's low of 87.12, but was above the previous day's settlement of 87.10.

September US Treasury bond futures fell to 97-08 on Liffe from 97-24, on nervousness ahead of the US Treasury's auction of $9.75bn in 30-year bonds.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM1m points of 100%

FT-SE 100 INDEX £25 per full index point

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING $ per £

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STANDARD & POORS 500 INDEX $500 times index

MONEY MARKETS

London rates ease

A FIRMER pound encouraged a slight easing of interest rates on the London money market yesterday. Three-month sterling interbank fell to 13¹¹⁄₁₆-13¾ per cent from 13²⁷⁄₃₂-13²⁵⁄₃₂ but the move was largely technical - as day-to-day credit remained in reasonably good supply - and was not a pointer towards a cut in bank base rates in the foreseeable future.

Further guidance oo the state of the UK economy and the likely direction of interest rates was looked for in the publication of the Bank of England Quarterly Bulletin, but this came too late to have any impact on the market yesterday.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England initially forecast a money market shortage of £350m, but revised this to a shortage of £300m in the afternoon. Total help of £251m pounds was provided. The authorities did not operate in the market before lunch, but in the afternoon bought £66m bank bills in band 1 at 13¾ per cent. Late assistance of around £185m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £451m, with a rise in the note circulation absorbing £55m and bank balances below target £45m. These factors outweighed Exchequer transactions adding £220m to liquidity.

Io Frankfurt call money eased to 6.80 per cent from 6.85 as credit conditioos teoded to ease. There were two main factors: the West German Bundesbank fully replaced an expiring securities repurchase agreement this week, with an allocation of DM19bn for a 35-day pact and, secoodly, reserve holdings of the commercial banks at the Bundesbank rose to DM60.9bo oo Tuesday from DM58.4bn on Mooday and from DM56.0hn oo Friday. Banks reserve holdings for the first eight days of the month were DM58.2bn, against an expected average requirement for the mooth of DM56bn.

This boild-up meant that hanks were more willing to offer funds on the open market. Dealers noted that call money has only once been so low since the Buodesbsok raised official German interest rates by ½ point on June 30, and suggested it was a sign that the central bank is keen to reduce the amount of borrowing at the 7 per ceot Lombard emergency financing rate. Lombard borrowing has been very small so far this month and was only DM100bn on Wednesday, sfter touching DM3.8bn at one time in July.

In Zurich the Swiss National Bank cut its floating Lombard rate to 8¼ per cent from 8½ per cent on Wednesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 10) 3 months US dollars: bid 8⅜, offer 8½; 6 months US Dollars: bid 8⅜, offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime — Treasury Bills and Bonds

Prime rate, Broker loan rate, Fed. funds, Fed. funds at intervention

Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin

LONDON MONEY RATES

Interbank Offer, Interbank Bid, Sterling CDs, Local Authority Deps., Local Authority Bonds, Discount Mkt Deps., Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep Offer, SDR Linked Dep Bid, ECU Linked Dep Offer, ECU Linked Dep Bid

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk N. East	14	Northern Bank Ltd	14
AIB-Allied Arab Bk	14	Co-operative Bank	14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
• Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe Guarantee	14½
• B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	• Smith & Williamson Secs	14
Bank Hapoalim	14	• First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	• Robert Fleming & Co	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	• Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	Hambros Bank	14	Western Trust	14
Banque Belge Ltd	14	Heritable & Gen Inv Bk	14	Westpac Bank Corp	14
Barclays Bank	14	• Hill Samuel	§14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	C. Hoare & Co	14	Yorkshire Bank	14
Berliner Bank AG	14	Hongkong & Shangh	14		
Brit Bk of Mid East	14	• Leopold Joseph & Sons	14		
• Brown Shipley	14	Lloyds Bank	14		
Business Mtge Tst	14½	Meghraj Bank Ltd	14		
CL Bank Nederland	14	Midland Bank	14		
• Charterhouse Bank	14	• Mount Banking	14		
Citibank NA	14	Nat Bk of Kuwait	14		
City Merchants Bank	14				

• Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9%. Top Tier-£10,000+ instant access 12.6% # Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 68,530

A=Ask B=Bid C=Call P=Put

CROSSWORD

No.7,009 Set by HIGHLANDER

ACROSS

1 Fitting propeller needs almost four feet cut out (6)
4 Guard's combat outfit (8)
10 Cultivated like sugar (7)
11 Opening axposively with popular, clipped, high-pitched sound (7)
12 Because rider is associated with snakes (4)
13 Engage penman expert at reproducing letters (10)
15 Problem with Elgar's variations (6)
16 Man next in line first, they say, for special post (7)
20 Silver shell on beach (7)
21 This mooth record is in agreement (2,4)
24 Share promotion is first choice (10)
26 Comedian receives royal summons (4)
28 Ceremonial carriage convertible to chair (7)
29 Acme, the original cutter (7)
30 Turning pale, then becoming a beast (8)
31 Among the best at using rank (6)

DOWN

1 One with a share in separate area of land by the sound of it (8)
2 Bad time of year for children (9)
3 Service on several missions, including long periods in USA (4)
5 A very quiet finish ahead of nine for rider (8)
6 Leave people little time in specialised division (10)
7 First of shops in way out surroundings to survive (5)
8 Very sweet but insincere (6)
9 Method of dating party member's spontaneous comment (2-3)
14 Surplus is admitted by mischievous bankrupt (10)
17 Tree insect is confused, disoriented and cross (9)
18 Not well used to being victorious (6)
19 Fail to observe so much that's above reproach (8)
22 Father in pain is brave (6)
23 Son affected to be a little monkey (5)
25 With long time bridge opponents one needs a rubber to do it (5)
27 Southern resting place for young northerner (4)

Solution to Puzzle No.7,008

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices August 10

INDICES

NEW YORK DOW JONES

	Aug 9	Aug 8	Aug 7	Aug 4	1989 High	1989 Low	Since compilation High	Since compilation Low
Industrials	2686.08	2699.17	2694.99	2653.45	2699.17 (8/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.34	93.62	93.64	93.83	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1406.29	1355.80	1344.06	1250.00	1406.29 (9/8)	959.95 (3/1)	1406.29 (9/8/89)	12.32 (8/7/32)
Utilities	220.32	221.64	221.52	218.18	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2725.15 (2718.51) Low 2678.11 (2676.97)

STANDARD AND POOR'S	Aug 9	Aug 8	Aug 7	Aug 4	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	346.94	349.35	349.41	343.92	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	396.86	399.68	399.26	393.14	399.68 (8/8)	318.66 (3/1)	399.68 (8/8/89)	3.62 (21/6/32)
Financial	33.22	33.40	33.59	33.20	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	193.20	194.23	194.19	191.64	194.23 (8/8)	154.98 (3/1)	194.23 (8/8/89)	4.46 (25/4/42)
Amex Mkt. Value	382.15	380.96	379.18	376.10	381.15 (9/8)	305.24 (3/1)	381.15 (9/8/89)	29.31 (9/12/72)
NASDAQ Composite	462.41	463.30	461.73	457.42	463.30 (8/8)	378.56 (3/1)	463.30 (8/8/89)	54.87 (31/10/72)

	Aug 4	July 28	July 21	year ago (approx.)
Dow Industrial Div. Yield	3.41	3.44	3.47	3.53
	Aug 2	July 26	July 19	year ago (approx.)
S & P Industrial div. yield	3.28	2.90	2.92	3.12
S & P Indl. P/E ratio	14.43	14.22	14.10	14.10

TRADING ACTIVITY †Volume

Millions	Aug 9	Aug 8	Aug 7
New York	211.306	197.795	198.577
Amex	18.818	15.923	13.025
OTC	155.690	160.271	135.246

NEW YORK	Aug 9	Aug 8	Aug 7
Issues Traded	1,996	1,998	1,979
Rises	624	826	1,056
Falls	878	695	451
Unchanged	494	477	472
New Highs	177	209	210
New Lows	11	7	12

CANADA

TORONTO	Aug 9	Aug 8	Aug 7	Aug 4	1989 High	1989 Low
Metals & Minerals	3717.9	3749.6	(c)	3630.7	3749.6 (8/8)	3207.5 (3/1)
Composite	4003.7	4013.9	(c)	3985.2	4013.9 (8/8)	3350.5 (6/1)
MONTREAL Portfolio	2028.81	2033.87	2031.34	2017.66	2033.87 (8/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Anchor Gls	5,129,100	19⅛	+7½	Am T & T	2,102,700	40⅛	-⅛
Paramount	4,149,700	62⅛	+2½	AMR	2,099,400	76⅜	+3
Eastman Kodak	3,207,000	50½	+1½	Gen Electric	1,904,000	58⅝	-⅜
Pan Am	2,597,900	4⅛	+⅛	Union Carbide	1,818,400	29	-⅛
Unisys	2,120,400	21⅛		Common'th Ed	1,774,300	57½	-⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 10	Aug. 9	Aug. 8	Aug. 7	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1681.3	1695.3	1699.0	1680.0	1699.0 (8/8)	1412.9 (7/4)
All Mining (1/1/80)	782.0	788.3	789.6	782.0	789.6 (8/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	391.16	390.83	390.73	382.18	391.16 (10/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6318.04	6310.09	6272.27	6287.64	6318.04 (10/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	332.39	338.74	345.66	349.43	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	754.0	766.4	771.9	775.4	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	508.3	506.5	502.5	502.6	508.3 (10/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	121.5	121.9	121.3	120.1	122.4 (28/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	664.22	659.66	660.48	653.49	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1990.1	1975.9	1979.7	1956.4	1990.1 (10/8)	1575.7 (27/2)
DAX (30/12/87)	1609.93	1608.71	1603.59	1592.03	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2608.68	2627.31	2607.94	2563.77	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	702.53	703.94	701.19	701.37	703.94 (9/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34719.80	34859.27	34759.48	34630.3	34953.87 (31/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2640.13	2643.91	2624.70	2615.48	2643.91 (9/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	262.1	264.5	263.9	262.8	264.5 (9/8)	208.3 (3/1)
CBS All Shr (End 1983)	204.0	205.9	205.4	204.5	205.9 (9/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	638.28	632.70	625.83	629.00	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1379.86	(c)	1361.76	1351.74	1379.56 (10/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1661.0‡	1656.0	1663.0	1657.0	1685.0 (5/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2768.0‡	2754.0	2747.0	2743.0	2768.0 (10/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	311.78	311.81	311.29	309.78	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4576.1	4512.0	4485.0	4483.6	4576.1 (10/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	816.0	821.7	810.0	801.2	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	547.6	547.4	543.7	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday August 10 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Daiwa House	30.9m	2,720	+10	Sony	12.4m	8,680	+440
Nippon Steel	17.9m	830	-20	Kawasaki Film	11.6m	880	-20
Canon	15.0m	1,880	+60	MHI	11.2m	1,200	-30
Fuji Film	14.4m	4,560	+230	Sekisui Chemcl	11.0m	1,680	0
Hitachi	13.8m	1,670	+80	Kobe Steel	8.1m	796	-18

3pm prices August 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
20⅞	21¼	AAR	.44	1.4	21	135	32⅞	32¼	32½	- ½
10⅛	9½	ACM n	1.01	11.		138	9½	8¼	9⅜	
11⅛	10¼	ACMIn	1.26a	11.		238	11½	11⅛	11½	
10¼	8½	ACM M	n1.01	11.		252	9⅛	9⅛	9⅛	
11½	10	ACM Sc	1.26	11.		364	11⅜	11¼	11⅜	
8½	6⅜	ACMSp	1.01	11.		225	9⅛	8½	9⅛	
16	10⅞	AL Lab	.12	.7	19	115	16⅛	16⅛	16⅛	- ⅛
8⅛	4½	AM Intl				173	2⅛	5⅛	5⅛	
22½	20⅝	AM In pf	2	9.1		11	22	21⅝	21⅞	
79	46⅞	AMR			9	12568	u79⅛	77⅛	77⅛	+ ⅞
27	25	ANR pf	2.67	11.		30	25⅜	25⅜	25⅜	- ⅛
8½	3⅝	ARX				25	4⅛	4¼	4⅛	
44⅛	35¼	ASA	3a	7.1		164	42⅞	42½	42½	- ½
22⅛	15⅛	AVX	.24	1.2	9	158	20⅛	19⅝	19⅝	- ½
88	43⅛	AbtLab	1.40	2.2	16	2039	63	62⅝	62⅛	- ⅛
16⅛	13⅛	Abitibi g	1			138	15½	15	15⅛	+ ½
13	7½	AcmeC	.40	3.4		11	11⅝	11⅛	11⅛	
8⅝	5⅞	AcmeE	.32	3.9	19	23	8⅛	8⅛	8⅛	+ ½
34⅞	20⅛	Acuson			23	254	32⅛	31⅝	31⅞	- ⅛
16⅞	14⅛	AdaEx	1.82e	11.		66	16⅜	16½	16⅜	+ ⅛
13⅛	7⅛	AMD				2793	9	8⅝	8⅝	
28⅛	28⅛	AMD pf	3	9.8		4	31⅛	21⅛	31⅛	- ⅛
11⅞	8½	Adobe				374	11⅜	10⅞	11⅛	+ ⅛
9½	8⅝	Advest	.12	1.3	18	441	9⅜	9	9⅛	+ ⅛
60⅛	48	AetnLf	2.10	4.7	9	1932	59⅛	58½	59⅛	- ⅝

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20	29⅞	Wyscs	.80	2.2	18	80	28⅞	28½	28½	
17⅞	4½	Wyse				1239	7⅞	7⅞	7⅞	- ⅛
		- X-Y-Z -								
69	61⅞	Xerox	3	4.4	18	2002	67⅞	67⅞	67⅞	- ⅛
44¼	29⅞	XTRA	.72	2.4	9	x27	30⅞	30½	30½	
33	24⅛	XTRA pf	1.94	7.5		x13	25	29	29	+ ⅛
4¼	2	Zapata				150	3½	3½	3½	
15½	10½	Zemex	.40	3.5	122	2	11	11	11	
22⅞	16¾	ZenithE				718	17	16⅞	17	
10⅞	6⅞	Zenlnc	1.20	14.		173	9⅞	9½	9⅞	- ⅛
2⅞	1⅞	vjZenLb				846	1½	1⅞	1⅞	- ⅛
20¼	15	ZeroN	.84	4.3	9	121	19⅞	19½	19½	
22⅞	14⅞	Zero	.50	2.3	17	91	22½	21⅞	22⅞	
44¼	27	Zurnin	.68	1.7	29	554	41½	40¼	41	- ⅞
13	10	Zweig	1.08e	9.3		303	11⅞	11⅞	11⅞	
10⅛	8⅞	Zweig s	.96	10.		856	9⅞	9½	9⅞	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 10

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 10

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WvEx h			271	7⅞	7⅞	7⅞	- ⅛
Worthg	.48	16	202	24⅞	24½	20½	- ½
Wyman	.60	178	334	18	17¼	17¾	- ¼
		- X-Y-Z -					
XL Dta s		18	406	24½	24	24	
XOMA			463	19¼	18⅞	19¼	+ ¼
Xicor		10	351	6⅞	6¼	6⅞	- ⅛
YelowF	.76	11	1679	30½	29⅞	30¼	- ⅛
ZionUt	1.44		658	27½	27	27⅞	+ ⅝
Zycad			328	2⅞	2¼	2⅞	

AMERICA

Lively speculation helps to offset nervous selling

Wall Street

FURTHER bursts of takeover speculation offset nervous profit-taking yesterday to leave the Dow Jones Industrial Average modestly higher, *writes Janet Bush in New York*.

At 2 pm, the Dow was quoted 10.24 points higher at 2,696.32 on heavy volume of 121m shares. Takeover rumours surrounding Procter & Gamble, which also announced higher earnings yesterday, gave the index considerable help. Procter & Gamble shares were quoted $3¾ higher at $122 in midsession.

Other major indices, including the Standard & Poor's 500, the American Stock Exchange index and the Nasdaq Composite, were all quoted lower at midsession.

The Dow Jones Transportation Average continued to rally strongly as UAL piled on more gains and other airline stocks felt the benefit. At midsession, the index was quoted 13.51 points higher at 1,419.80 with UAL up $9¾ at $253¼, AMR $¾ higher at $77⅞ and Delta up $⅞ at $79⅛.

Airline stocks were boosted when the possibility emerged for the first time that UAL would consider the bid by Mr Marvin Davis and all other "possible financial and strategic alternatives."

This statement by UAL effectively opens the door for other potential bidders. Pan Am has said that it may be interested in bidding for UAL if it is for sale and there are rumours that Kohlberg Kravis Roberts, the buy-out specialists, may be another possible suitor.

The equity market is struggling if the airline sector and other areas profiting from takeover speculation – such as hotels and casinos – are removed from the picture.

Its failure this week to hold above 2,700 and advance to its all-time high of 2,722.42 set in August, 1987, has encouraged profit-taking. There were a number of failed attempts to rally on Wednesday in heavy volume which suggested a broadening of profit-taking.

A declining bond market, which has come under pressure because of poor demand at this week's quarterly refunding, has also proved a drag on equities. Both stock market and bond market participants were yesterday keenly awaiting the results of the 30-year bond auction, the last of the quarterly refunding. Wall Street has already been left with a considerable amount of the three-year and 10-year paper sold earlier this week.

The market was also turning a little more cautious yesterday as traders positioned themselves for today's producer prices and retail sales figures for July. The PPI is expected to have been flat to only slightly higher last month.

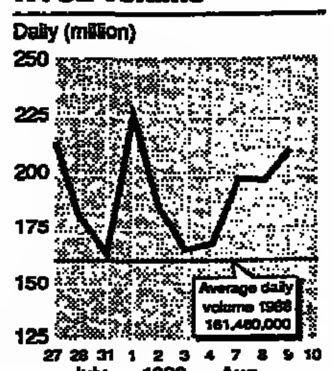
Technical equity analysts noted that the tone of the market has started to deteriorate using a number of technical measurements.

Hotels and casinos, a sector which has attracted a lot of takeover rumours, started strongly yesterday. Prime Motor Inns added $1⅛ to $36⅜ and Holiday Corp gained $⅝ to $71⅛.

Among featured individual stocks was Tambrands, which surged $4 to $72¼ on a press report that Centaur Partners had bought a 3 per cent stake in the company. There were also rumours that Procter & Gamble might consider making an offer.

Rorer Gronp was another company benefiting from takeover speculation. Its shares rose $⅞ to $44⅞ in heavy trading, but the company said it knew of no reason for this activity.

NYSE volume



Rochester Telephone surged $8 to $39½ after a report in the US business press about the positive prospects of independent telephone company stocks.

National Semiconductor jumped $⅝ to $7⅛ in active trading on vague rumours that the company may receive a bid.

Canada

RETREATING stocks were just outnumbering advancing ones in Toronto at midsession, while the leading index stayed above the 4,000-mark.

The composite rose 1.0 to 4,004 at midday.

SOUTH AFRICA

THE FIRM tone continoed in a quiet Johannesburg stock market as renewed speculative interest in selective issnes helped fortify prices.

Index funds remould Tokyo market

Michiyo Nakamoto examines the surge in computerised investment

UNTIL recently the Tokyo stock market was, in at least one respect, fairly transparent. At any given time, it was easy to see whether the active players were institutions, individuals or foreigners.

In recent weeks, however, while most of these investors have been sidelined, worrying about the political turmoil and currency instability swirling around Tokyo, a relatively new group of huyers, index fund managers, has been making most of the running.

High-technology investment in general, and index funds in particular, have coma to the fore in the past few months although interest has been growing steadily over the years. Securities firms have received countless calls from individuals wondering if they can buy into index funds and the local media have trumpeted the emergence of a force that could change the nature of trading on the Tokyo market.

An index fund consists of a portfolio of stocks that make up a particular index and it attempts to track the index in performance. A fund which tracks the Nikkei average, for example, has all the Nikkei's 225 issues in its portfolio.

The number of funds using computerised investment strategies, such as index funds, has increased significantly since they were introdnced several years ago. At Nikko Securities, which was ona of the first firms to introduce the concept of high-technology investment to Japanese clients, the amount of funds using computer programmes has grown more than tenfold in the past three years, from Y335hn ($2.4bn) in September 1986 to nearly Y4,000bn last month.

Trust banks and life insurers have been quick to pick up on the new trend. Sumitomo Trust and Banking became the first in the industry this May to introduce a fund that tracks indices, such as the Nikkei 225 and the Nikkei 500. Several of the large life insurance companies are said to have shifted a suhstantial amount of their *tokkin* (specified money trusts) money into index funds.

"Index funds have alreedy spread in the Japanese market," says Mr Norio Watanabe, director of Credit Suisse Investment Advisory Co. "Just two or three years ago we had to explain to investors what index fonds were, hut that has become unnecessary."

The growing interest in index funds, and other investment tools using computer technology, is closely linked to the liberalisation of Japan's financial markets. As the competition grows, fund managers are under increasing pressure to improve their performance.

Until recently, says Mr Takayoshi Suzuki, manager of the Investment Technology & Research Division at Nikko Securities, fund managers did not need to account for their performance and were content to beat the interest rate on call money, for example. Few fund managers made gains anywhere near the rise in the Nikkei or Topix indices.

The growth of the pension fund market and the planned opening of the management of corporate pension funds, estimated at over Y30,000bn, to greater competition next year promises to change all that.

Mr Yukio Yamazaki, also of Nikko, points out that eight of the top 10 performing funds in the past three months used high-technology investment techniques. "Institutional investors will not be able to buy equities any more without using index-linked funds," he claims.

As their presence is increasingly noticed on the market, concern has also arisen that index funds which passively buy and sell shares without regard to a wide variety of market forces could become an added source of turmoil.

A decline in the influence of market themes, which have supported gains hy rallying interest behind specific shares, has been hlamed on the onslaught of index funds. Instead of buying a company's shares because of its involvement in some new and promising project, index funds buy issues according to their weighting in an index.

So far, however, the signs are that such funds are not a big enough force to have the feared effect, says Mr Suzuki. Index funds account for less than 1 per cent of the market's entire capitalisation, well behind levels in the US where they make up about 9 to 10 per cent of Wall Street's capitalisation. "Their impact (in Japan) so far is mainly on the market's mood."

Neither Mr Yamazaki nor Mr Suzuki thinks that old-style fund managing based on experience and market instinct will go out of fashion completely. For one thing, "investors are not always all that practical," says Mr Suzuki. They think that if they had invested more actively on their own, they would have been able to beat the index. In terms of investor psychology, he says, it is difficult to leave everything up to passive invesment.

As far as the Japanese market is concerned, institutions tend to invest more actively as the end of their husiness year approaches in order to meet certain profit goals. At times like that, says Mr Suzuki, they will not want to leave it all up to a computer.

EUROPE

Takeover activity keeps Paris alive despite strike

SOME bourses crept to new highs in spite of widespread profit-taking, and takeover talk kept Paris on the boil, *writes Our Markets Staff*.

PARIS was disrupted hy indnstrial action taken by supervisory workers at the bourse. This delayed the start of trading on the continuous market hut did not affect the six stocks which are still traded hy open outcry.

In spite of the prohlems, activity continued apace in the takeover arena as investors took a second look at the implications of the Suez hid for Compagnie Industrielle, the key shareholder in the Victoire insurance group.

Suez, which had dropped FFr13.50 on news of the hid, clawed back FFr11.50 yesterday to FFr367. The selling on Wednesday was triggered hy fears that Suez would have to make a rights issue to finance the takeover, and this now appears to have been ruled out.

One analyst said investors were realising that if Suez aimed to huy parts of itself – it already owns 30 per cent of Victoire and 18 per cent of Industrielle – its highly priced hid would suhstantially revalue a lot of its own assets.

There was a feeling that Mr Jean-Marc Vernes, chairman of Industrielle, might even launch a reverse takeover with the help of Ferruzzi of Italy and Paribas of France. And even if the Suez bid were to fail, the short-term view was that the hanking group would benefit with a very large capital gain on the sale of its stakes.

One of the higgest moves yesterday was in Alspi, a holding company with a large stake in Centenaire Blanzy, which in turn owns 16 per cent of Industrielle. Alspi soared FFr124, or 29 per cent, to FFr550.

But other insurance stocks which had jumped sharply on Wednesday came off in busy profit-taking, with Drouot falling FFr20 to FFr534.

The OMF 50 index shed 1.38 to 508.3. According to hourse figures, the opening CAC General reached an all-time high of 508.3, up 1.8. Turnover was held hack hy the industrial action and was estimated at FFr1.5hn to FFr2bn.

FRANKFURT showed signs that the long-predicted consolidation might be settling in, in spite of reaching further year's highs. Strong gains early in the session were whittled away as interest waned amoog foreign investors – with the possible exception of the Japanese – and domestic buyers.

One salesman commented: "Consolidatlon would be extremely healthy, as the longer the market went without it, the sharper the correction would he."

The DAX index edged up 1.22 points to another year's peak of 1,609.93 – well below its day's high of 1,619.26. The FAZ index, recorded at midsession, rose 4.56 to a post-crash high of 664.22. Turnover was still heavy at DM6.3hn.

One indication that the rally was calming down, explained the salesman, was the sudden rise to prominence last week of chemical and steel stocks, which had lagged the market. "This is traditionally a sign that things are peaking out."

Yesterday, there was rumoured to be heavy buying of chemicals hy Japanese investors, who regard the West German sector as relatively cheap and are looking to raise their weightings in Europe.

RWE, the utility, picked up DM2.70 to DM341 on news of a 45 per cent rise in group sales, and hopes that it might raise its dividend. Engineering stock Deuteche Bahcock gained DM8.50 to DM218.50, partly on speculation that RWE might take a stake.

STOCKHOLM reached another record high as institutional investors returned to the market and tnrnover was pushed to its highest level for weeks – worth SKr437m. The Affärsvärlden general index rose 15.2 to 1,350.2.

Asea continued to rise after the strong half-year results from Asea Brown Boveri; it gained SKr15 to SKr665.

AMSTERDAM eoded lower on profit-taking and a weaker dollar after reaching new highs on most days for the past two weeks. Second quarter figures from Philips and Royal Dutch yesterday were in line with or slightly below high expectations, causing disappointment.

The CBS tendency index lost 1.5 to 196.4 in active turnover worth Fl 910m. Philips fell Fl 1.20 to Fl 41.40 and Royal Dutch Fl 1.60 to Fl 145.70.

Publisher Elsevier gained 90 cents to Fl 81.70 amid rumours that it would make a statement soon on extending its co-operation with the UK's Pearson.

MILAN trimmed its losses to close only slightly lower. The main influence on investors was the need to square positions before the end of the account next week. The Comit index slipped 1.41 to 702.53.

ZURICH declined on profit-taking, hut late demand from institutions lifted shares off lows. The Crédit Suisse index eased 1.4 to 666.0.

MADRID closed marginally weaker, with the general index off 0.03 at 311.78. There was caution about the July inflation figures due next Monday, dealers said, which could show a rise of between 1 and 1.1 percentage points – one of the highest this year.

OSLO rose on higher oil prices and the all-share index added 4.61 to 498.42.

Norsk Data retreated after Mr Rolf Skaar, founder and president, resigned and the company said it expected a first quarter loes before extraordinary iteme of NKr240m. The free B shares shed NKr2 to NKr37.

BRUSSELS finished mixed to firmer. Groupe AG, the leading insurer, was the best performer on speculation that it would henefit if Suez, the French group with which it has close links, succeeds in its bid for control of Victoire. It jumped BFr350 to BFr9,100.

ASIA PACIFIC

Fears of interest rate rise trigger selling

Tokyo

DISAPPOINTMENT that domestic interest rates were likely to move upwards indoced a round of selling which, combined with profit-taking by index funds, led share prices lower in thin trading, *writes Michiyo Nakamoto in Tokyo*.

Prices were mixed throughout the day, with a number of specific issues rising to historical highs while wide-ranging selling led many interest rate-sensitive issues lower.

Selling by index funds also undermined the Nikkei average, which closed 139.147 lower at 34,719.80. Index funds tracking the Nikkei average have kept a lid on its rise, as they have come in to take profits as the index approached higher levels.

The day's high was 34,911.16 while the low was 34,708.56. Declines ontnumhered advances by 583 to 346 while 172 issues were unchanged. Turnover remained sluggish at 673m shares.

Tha Topix index of all listed shares fell back 3.78 to 2,640.13. In the second section, however, the Topix index surged 17.67 to a record high of 3,164.26, reflecting growing interest in smaller stocks. In London trading, the ISE/Nikkei 50 rose 2.83 to 2,102.21.

Before the release of US unemployment figurea for July, investors in Tokyo had heen cheered by signs that interest rates were easing in North America. Recent remarks hy officials at the Bank of Japan, however, have suggested that, due to a booming economy, interest rates in Japan are more likely to go up. Some economists have even predicted another rise in the official discount rate, although not in the immediate future.

Growing concern over interest rates spread gloom in a market that was already sluggish amid a lack of incentives and huying focus. Investors gave np issues that are considered sensitive to interest rate fluctuations, such as large capital steels. Nippon Steel fell Y20 to Y830.

Rather than buy low-priced issues in huge volumes, investors concentrated on buying high-priced issues which offer greater price movements. Several high technology stocks fell into this category.

Sony, for example, surged Y440 to Y8,680 and Fuji Film advanced Y230 to Y4,590. Both appeared in the list of 10 most actively traded issues. Sony was also favoured for its husiness performance and low price/earnings ratio.

Share prices surged in Osaka, huoyed by strong interest in companies based in the Kansai area – that is, Osaka, Kyoto and the surrounding area – and laggards in tha foods and pharmaceuticals sectors. The OSE average, which advanced 213.10 to 34,840.56, overtook the Nikkei average in number of points for the first time since July 11 last year.

Nintendo, based in Kyoto, rose Y1,700 to Y18,200 and Nissin Food Products, based in Osaka, posted a strong Y490 gain to Y4,120.

KEPCO, the state-owned South Korean ntility, began trading at Won22,000 in Seoul yesterday and rapidly rose by the maximum daily limit to close at W23,000, with 100 timea more bids than offers, *Reuter reports*. This compares with an offer price of W13,000 ($19.5).

The market ended only slightly higher after early gains were trimmed. The composite index, in which Kepco will be included in a month's time, rose 2.21 to 917.08.

Roundup

MOST Asia Pacific markets weakened, with Singapore the only leading exchange to huck the trend.

SINGAPORE came back from Wednesday's national holiday in bullish mood, climbing on foreign and local huying, which was boosted by bettar-than-expected economic growth in the second quarter.

The Straits Times Industrial index gained 18.10 to a post-crash high of 1,379.86. Turnover was a heavy 113m shares.

Recent strong interim results halped banking and shipyard stocks, with UOB foreign up 35 cents at S$6.80.

AUSTRALIA had a second session of profit-taking, with the All Ordinaries index closing 14.0 lower at 1,681.3. There was an element of caution, too, before next Tuesday's Federal Budget and the balance of payments figures for July, due on Wednesday.

BTR Nylex rose 4 cents to A$5.76 after reporting first-half profits up 89 per cent.

HONG KONG declined amid rumours of the death of Chon Yun, chairman of Peking's Central Advisory Commission. The Hang Seng index lost 18.63 to 2,608.58 in turnover of HK$1.3hn, np from Wednesday's HK$985m.

Shui On, the property group, gained 44½ cents to HK$2.22½ after its suspension on Tuesday. On Wednesday, Mr Vincent Lo, its chairman and controlling shareholder, announced a plan to take the company private.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Meckenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 9 1989						TUESDAY AUGUST 8 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	149.78	−0.5	137.33	129.70	−0.5	4.69	150.59	137.31	130.06	157.12	128.28	147.73
Austria (18)	138.42	−0.3	126.61	136.89	−0.4	1.78	139.56	127.25	137.42	139.56	92.84	84.40
Belgium (63)	135.98	−0.3	124.68	133.80	+0.1	4.13	138.37	124.35	133.68	137.97	125.58	110.77
Canada (124)	153.21	−0.1	140.47	129.91	−0.2	3.06	153.36	139.83	130.15	153.36	124.67	118.80
Denmark (36)	203.54	−2.8	186.62	204.37	−2.3	1.53	209.39	190.92	209.25	219.89	165.35	120.00
Finland (26)	138.63	−1.0	127.10	124.69	−0.5	2.19	140.05	127.70	125.50	159.13	125.31	125.42
France (127)	129.67	−0.2	118.17	130.94	+0.2	2.88	130.25	118.76	130.65	139.44	112.57	89.43
West Germany (100)	98.82	−0.5	90.81	97.64	+0.0	2.09	99.38	90.60	97.68	100.53	79.56	73.21
Hong Kong (48)	110.14	+0.8	100.99	110.37	+0.8	4.90	109.28	99.64	109.50	140.33	86.41	105.20
Ireland (17)	166.09	+0.5	152.28	166.51	+0.8	2.52	165.21	150.64	165.22	166.09	125.00	130.08
Italy (97)	95.04	+0.1	87.14	96.89	+0.5	2.31	94.89	86.81	96.39	95.04	74.97	70.09
Japan (455)	191.23	+0.4	175.33	168.26	+0.8	0.47	190.36	173.59	166.97	200.11	164.22	181.04
Malaysia (36)	189.78	+0.0	174.00	195.22	+0.0	2.46	189.89	172.96	195.17	190.58	143.35	151.20
Mexico (13)	267.49	+0.1	245.25	741.52	+0.0	0.68	267.28	243.63	741.48	277.40	153.32	151.36
Netherland (43)	130.13	−0.3	119.31	127.25	+0.2	4.07	130.53	119.02	126.99	130.87	110.63	104.22
New Zealand (20)	90.83	−0.4	74.11	71.69	−0.3	4.81	81.13	73.98	71.93	81.13	62.84	81.06
Norway (24)	176.30	+1.2	161.64	166.49	+1.4	1.55	174.29	158.92	164.18	198.39	139.92	118.48
Singapore (26)	168.34	+0.1	154.35	151.28	+0.0	1.87	168.26	153.42	151.28	169.43	124.57	131.52
South Africa (60)	153.50	+0.1	140.74	138.94	+0.1	3.93	153.31	139.79	138.77	153.50	115.35	109.87
Spain (43)	157.25	+0.2	144.18	141.70	+0.2	3.64	156.93	143.09	141.36	158.02	149.14	145.74
Sweden (35)	186.06	+0.3	170.62	178.23	+0.9	1.95	185.61	169.24	177.23	187.77	138.45	112.68
Switzerland (64)	94.16	+1.1	86.34	95.48	+1.7	1.98	93.10	84.89	93.88	94.16	67.81	77.57
United Kingdom (310)	157.24	+0.0	144.17	144.17	+0.5	4.04	157.28	143.41	143.41	158.41	133.28	130.17
USA (551)	141.13	−0.3	129.45	141.13	−0.3	3.22	142.07	129.54	142.07	142.07	112.13	108.85
Europe (1004)	131.33	−0.1	120.42	125.36	+0.4	3.27	131.47	118.87	124.87	132.62	112.63	103.24
Nordic (121)	171.33	−0.8	157.09	160.32	−0.5	1.78	172.85	157.91	161.14	178.38	137.95	108.75
Pacific Basin (670)	186.61	+0.4	171.10	164.58	+0.7	0.69	185.84	169.45	163.39	194.72	160.44	158.34
Euro–Pacific (1674)	164.60	+0.2	150.92	148.82	+0.6	1.53	164.20	149.71	147.91	166.98	141.56	138.31
North America (675)	141.80	−0.8	130.01	140.49	−0.6	3.22	142.64	130.06	141.33	142.64	112.79	107.48
Europe Ex. UK (694)	114.95	−0.2	105.39	113.75	+0.3	2.69	115.13	104.98	113.43	119.28	96.30	86.55
Pacific Ex. Japan (215)	131.24	−0.1	120.33	118.58	+0.0	4.48	131.37	119.78	118.53	137.65	111.83	125.84
World Ex. US (1971)	164.18	+0.2	150.51	148.31	+0.8	1.80	163.78	149.33	147.45	166.35	141.49	135.46
World Ex. UK (2112)	154.64	+0.0	141.79	145.03	+0.2	1.94	154.71	141.07	145.80	155.68	136.98	123.82
World Ex. So. Af. (2362)	154.97	+0.0	142.00	145.89	+0.2	2.11	154.94	141.27	145.80	155.92	136.67	124.45
World Ex. Japan (1967)	137.69	−0.4	126.25	134.48	−0.2	3.29	138.23	126.04	134.77	138.23	114.51	106.79
The World Index (2422)	154.86	+0.0	141.99	145.84	+0.2	2.13	154.93	141.26	145.55	155.89	136.68	124.37

Latest prices were unavailable for this edition. Markets closed August 9: Malaysia and Singapore.
Constituent change 10/8/63: Deletion: Alsthom (France).